Austria	Sch22	Indonesia	Rp3100	Philippines	Pesos40
Bahrain	Din0.650	Iran	Rls160	Portugal	Esc120
Belgium	BFr48	Israel	NIS3.50	S.Arabia	Rls7.00
Canada	C$1.00	Italy	L1700	Singapore	S$4.10
Cyprus	C£0.90	Japan	Y600	Spain	Pta145
Denmark	DKr10.00	Jordan	Fils.500	Sri Lanka	Rup30
Egypt	E£2.25	Kuwait	Fils.500	Sweden	SKr9.00
Finland	Fmk7.00	Lebanon	$L125.00	Switz	SFr2.30
France	FFr7.00	Lux	LFr48	Taiwan	NT$85
Germany	DM2.30	Malaysia	Rls4.25	Thailand	Bht50
Greece	Dr120	Mexico	Pes300	Tunisia	Din0.800
Hong Kong	HK$12	Morocco	Dh6.00	Turkey	L600
Iceland	Ikr125	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,683 Wednesday November 2 1988 D 8523 A

World News

S Africa welcomes US plan for Namibia

South Africa cautiously welcomed a US proposal linking Namibian independence next August to the final withdrawal of Cuban troops from Angola two years later. Pretoria's previous target date to start implementation of UN Resolution 435 on Namibian independence passed yesterday without a change in the territory's status. Page 26

Dukakis picking up

Democratic US presidential candidate Michael Dukakis, picking up slightly in the opinion polls, accused the Reagan Administration of sanctioning a Wall Street "merger binge" and ignoring the needs of workers. Page 6

Gulf states meet

Foreign ministers from the six Gulf Co-operation Council member states met in Riyadh to seek ways to accelerate the Gulf war peace talks between Iran and Iraq, whose foreign ministers met for the first time in a month in Geneva. Joint air manoeuvres, Page 4

Managua truce offer

The Nicaraguan Government extended a seven-month truce with Contra rebels by a month until the end of November, despite what it said was continued aggression by the rebels and their US sponsors.

Indian bombs kill 17

At least 17 people were killed and 50 injured when three bombs exploded in India's troubled border states of Punjab, and Jammu and Kashmir.

UN Sudan appeal

UN Secretary-General Javier Perez de Cuellar called for a $70m emergency relief campaign for up to 2.5m Sudanese in need of food, shelter, and medical help. Rebel attack, Page 4

Iceland's budget

Iceland's Government announced tax increases and spending cuts in a budget aimed at producing a surplus equivalent to about half a per cent of GDP in 1989, after three years' deficits. Page 2

Newspaper banned

South Africa's Weekly Mail newspaper, one of the Government's most outspoken and influential critics, was closed for four weeks for having published supposedly subversive material. Page 4

Japan share scandal

The ripples from Japan's politically charged Recruit Cosmos insider dealing share scandal spread to Nippon Telegraph & Telephone, which was asked by the Government to investigate whether one of its senior employees bought shares in the company. Page 26

W Sahara talks lag

The Polisario Front, fighting for Western Saharan independence from Morocco, said it did not expect a referendum on the territory's future, under UN-sponsored peace talks, until 1990 at the earliest.

Extra 70m Chinese

China said its population target of 1.2bn in the year 2000 was likely to be exceeded by about 70m. Page 4

Florence traffic ban

Residents of Florence, one of Italy's most congested cities, voted by 72 per cent in a local referendum to ban cars from the historic centre.

Business Summary

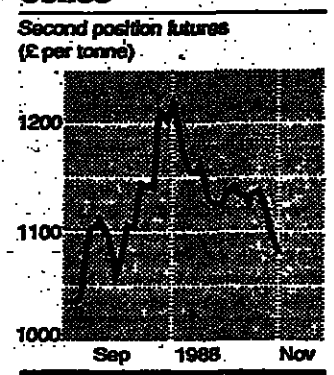
SEC close to co-operation agreement with France

US Securities and Exchange Commission expects shortly to sign agreement with French authorities allowing for substantial co-operation and exchange of information in policing securities markets. Page 27

COFFEE: Coffee prices continued to drift lower in London, on lack of demand from roasters and absence of fresh news. Three-month robusta shed £17 to close at £1,079 ($1,913) a tonne. Page 50

Coffee

Second position futures (£ per tonne)



ALLIED-Lyons, UK food and drinks group, sold 51 per cent stake in HPC, US-based oil and gas company, to Gulf Canada Resources for C$227m ($189m) in cash. Page 27

JAPANESE investors are likely to be offered between 10 and 12 per cent of British Steel when UK state-owned company is privatised later this month. Page 27

VIDEOMUSIC, Italian rock music television station, took control of Super Channel, loss-making general entertainment satellite channel officially launched last year. Page 31

CANADIAN uranium production reached record 12,456 tonnes in 1987, equivalent to 34 per cent of non-communist world output and almost 6 per cent up on 1986. Page 58

INTERSHOP, Zurich-based property developer, plans series of capital transactions aimed at financing new investments and "strengthening its Swiss character." Page 31

COMMERZBANK, West Germany's third largest bank, is raising its stake in Unibanco-Banco de Investimento do Brasil (BIB), one of Brazil's largest privately-owned banks, to 19.4 per cent from 5 per cent. The DM38m ($21.5m) purchase will eventually give Commerzbank 10 per cent of Unibanco group overall. Page 30

NEWMONT Mining and its 90 per cent-owned subsidiary Newmont Gold, biggest US gold producer, are possible bid candidates, according to Chairman Gordon Parker. Page 28

CHICAGO Board Options Exchange filed for approval to trade option based on basket of stocks, directed mainly at institutional investors. Page 28

SOVIET UNION is importing significant quantities of nickel materials produced in UK from uranium originating in South Africa and Namibia, according to British anti-apartheid group. Trade runs against Soviet support for UN ban on trade in Namibian natural resources, and separate Soviet restrictions on imports from South Africa. Page 3

FT Guide to World Currencies, which was published only in later editions of the Financial Times yesterday, appears again today on Page 32. It was not available for early editions of yesterday's paper as a result of computer problems. We apologise to readers for the omission.

Thatcher keeps itinerary despite tension in Poland

By Robert Mauthner, Diplomatic Correspondent, in London

MRS Margaret Thatcher, the British Prime Minister, begins a three-day visit to Poland today in an atmosphere of political and social tension provoked by the imminent closure of the Lenin shipyard in Gdansk.

The announcement that the yard, main stronghold of the banned Solidarity trade union, will be closed next month, has invested her planned meeting on Friday with Mr Lech Walesa, the union's leader, with special significance.

Mrs Thatcher – whose visit is the first to Poland by a British Prime Minister and who made her meeting with Mr Walesa a pre-condition of her whole visit to the country – has not, so far, modified her programme, in spite of expectations of large workers' demonstrations protesting at the closure of the shipyard.

She faces a difficult task in Poland because both the Government and Solidarity are hoping to use her presence to drum up support – for radical economic reforms in the first case, and greater democratic freedom in the second.

Gen Wojciech Jaruzelski, the party leader, and Mr Mieczyslaw Rakowski, the new Prime Minister, have each gone out of their way publicly to praise Mrs Thatcher's economic policies and the steps she has taken to reduce the power of the British trade unions, stressing that they hope to learn from her.

But their surprisingly favourable view of one of the greatest exponents of free market capitalism is seen by political observers as essentially a scheme to undermine Solidarity's credibility.

It is already clear that Mrs Thatcher will not allow herself to be manoeuvred for domestic political purposes in this way and she can be expected to draw a clear distinction between the political environment in which British and Polish unions operate. She is known to feel that Solidarity plays an important part as a political opposition movement under a regime which does not normally allow political parties to play such a role.

Although Poland is looking to Western countries for more economic and industrial aid and is hoping to reschedule its official debts to OECD countries, estimated to total some $27bn, it is likely to be disappointed with Mrs Thatcher's meagre offerings. The British Government considers that Poland should first of all reach an agreement with the International Monetary Fund on the economic policies Warsaw should pursue, before Western creditor countries consent to a rescheduling agreement.

Mrs Thatcher will start her official programme this evening with meetings with Mr Rakowski and Cardinal Josef Glemp, the Roman Catholic Primate. She will have talks with Gen Jaruzelski tomorrow and on Friday.

West Germany set to approve fresh DM4bn guarantee for Airbus

By David Marsh in Bonn

THE BONN Government looks set today to agree fresh conditional financing of up to DM4bn ($2.3bn) over the next decade to support the West German stake in the European Airbus project.

The plan before today's Cabinet meeting will pave the way for Daimler-Benz, the motor and engineering conglomerate, to take control of Messerschmitt-Bölkow-Blohm (MBB), the country's largest aerospace company and the West German shareholder in the four-nation Airbus Industrie consortium.

Daimler is to take a 30 per cent stake through a capital rise at the beginning of next year, with an option later to increase its share to 51 per cent.

The resulting group, which will be by far the largest in the Federal Republic, will form one of the world's biggest and most diversified engineering and defence technology concerns with turnover of about DM68bn based on this year's figures.

The proposal to be discussed by the Cabinet centres on provision of an exchange rate guarantee up to the late 1990s to protect Daimler from potential Airbus losses caused by any fall in the dollar. The plan is likely to come under intense scrutiny in Washington in the light of the long-running dispute between the US Government and Western Europe over subsidies in international airliner production.

In view of the considerable risks hanging over Airbus business as a result of a weakening dollar and heavy competition from Boeing, the US group, Mr Edzard Reuter, the Daimler chairman, has insisted on the exchange rate guarantee as a prime condition for agreeing to the MBB stake.

The scheme, covering a fall in the dollar down to a level of DM 1.60, could lead to a maximum drain on the Bonn budget of slightly more than DM4bn over the next decade, depending on the fluctuations of the dollar, the currency in which airliner sales are invoiced. This would be in addition to the DM10.7bn already pledged or contributed by the Bonn Government to support existing and future Airbus programmes, of which DM5.4bn has been paid out.

Daimler, Bonn ministries and the three state (Land) governments which currently own 52 per cent of MBB, have been negotiating the plan for months. The overall financing deal was agreed last week by Mr Gerhard Stoltenberg, the Finance Minister, and Mr Martin Bangemann, the Economics Minister.

The Government has also agreed to take a 20 per cent stake in a new MBB subsidiary to be set up to hold West Germany's 37.9 per cent participation in Airbus Industrie, which is currently in the hands of MBB's 100 per cent subsidiary Deutsche Airbus.

The 20 per cent government shareholding will be held by Kreditanstalt für Wiederaufbau (KfW), the public sector financing agency. The Government wants Daimler-MBB to agree to buy out the 20 per cent stake during the 1990s, although Mr Reuter has so far been adamant in wanting to delay any purchase until the year 2000.

The financing plan for Airbus has drawn heavy fire from the opposition Social Democratic Party as well as from sections of the centre-right parties in the Bonn coalition. Mr Otto Lambsdorff, the new chairman of the liberal Free Democratic Party (FDP), the junior partner in the coalition, voiced misgivings on Monday evening about the plan.

The deal still has to be formally agreed by Daimler, which will discuss it at a supervisory board meeting on November 9. Senior Daimler officials may request a further meeting with the Government to clear up outstanding legal and tax questions over the takeover.

The Daimler-MBB plan also has to be vetted by the federal Cartel Office in Berlin, which has repeatedly voiced its distaste about the concentration of the West German defence and aerospace industry which would ensue.

West German officials hope the scheme will not fall foul of trade objections from the US Government. The election-induced lull in government activity in Washington may be an advantage for Bonn.

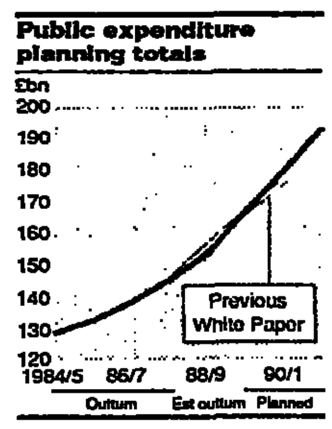
Boeing, a major critic of European airliner subsidiaries, appears to be taking a relatively conciliatory line. A spokesman at the company's headquarters in Seattle said Boeing was "not very pleased" at the prospect of the exchange rate guarantee but had no plans to lodge any "formal protest" to Washington.

Lawson decides to maintain spending target

By Peter Norman, Economics Correspondent

MR NIGEL LAWSON, Britain's Chancellor of the Exchequer, confounded economic pundits and City of London analysts by leaving the Government's spending target for the coming financial year unchanged in his annual Autumn Statement on the economy yesterday.

Public expenditure planning totals



Mr Lawson told the House of Commons that the UK Government was aiming for a £10bn ($17.5bn) budget surplus in the current financial year to the end of March and indicated that next year's surplus would be around the same level.

This year's public expenditure term was generally expected to end with the Government increasing its planning total by £2bn to £3bn following lengthy negotiations which whittled down spending ministries' demand for an extra £10bn.

Against the background of an "extremely tight" fiscal stance, the Chancellor nonetheless forecast a soft landing for the British economy from its current, excessively strong rate of growth. Inflation, output and the current account balance of payments deficit would all be lower by the end of next year, he said.

The Chancellor likes to spring surprises in his set-piece speeches and yesterday was no exception. Despite outlining increased spending on the National Health Service, roads, law and order and defence, he announced that the public expenditure planning total for 1989-90 would remain unchanged at £167.1bn.

Mr Lawson was able to keep the planned spending target unchanged, partly by drawing £3.5bn from the £7bn contingency reserve already incorporated in public spending plans for next year.

The lower cost of unemployment benefits and an estimated £1.75bn extra in revenues from the sales of state-owned council houses also made an important contribution in enabling the Government to balance its books.

Mr Lawson said the Government had been able to strengthen priority programmes within an unchanged planning total for 1989-90 because of the improved performance of the economy.

This, he said, had "eased pressures on a number of programmes, giving the Government more scope than ever before to shift resources where its own priorities rather than circumstances, dictate."

The health service, whose funding continues to be a politically sensitive issue, was one

Continued on Page 26

Analysis, Pages 5-10; Editorial comment, Page 24, Lex, Page 26

Israelis go to polls as air force strikes in Lebanon

By Andrew Whitley in Jerusalem

THE ISRAELI air force launched fresh bombing raids against Palestinian targets in Lebanon yesterday as Israelis went to the polls to elect a new parliament and government.

At least four people were killed and many injured in attacks on bases near the Lebanese port city of Sidon and south of Beirut.

The raids were seen in Israel as a reprisal for Sunday's petrol bomb attack on an Israeli bus in the West Bank town of Jericho, in which a woman and three children died.

In a similar incident yesterday in East Jerusalem, three Israelis were injured – one seriously – when their car was hit by a petrol bomb.

The occupied West Bank and Gaza Strip, focus for the 11-month-long Palestinian uprising, were sealed off for 48 hours from midnight on Monday in a bid to dampen protests called to coincide with the elections and today's anniversary of the Balfour Declaration of 1917, which recognised the need for a Jewish homeland. Some 300,000 Gazan refugee camp residents were also confined to their homes by a two-day curfew.

Voting yesterday by the 2.9m electorate for the 27 parties contesting the elections appeared both heavy and orderly. The high voter turnout was seen as favouring Mr Yitzhak Shamir's right-wing Likud Party.

The only irregularities reported were among the ultra-orthodox communities. Some of their members were accused by police of flying in hundreds of Israeli identity cards from their brethren in the US, to gain extra votes.

Emerging from polling stations in the capital, Israelis of all persuasions agreed that the Jericho tragedy was likely to have influenced voting behaviour, despite the lengths to which Mr Yitzhak Rabin, Labour's Defence Minister, has gone over the past two days to persuade them otherwise.

In a full-page, open letter published in all yesterday's newspapers, Mr Rabin pleaded with voters not to allow the tragedy "to jeopardise the political process which is crystallising in the Middle East – a process of negotiations for peace." Earlier, reversing a long-standing position shared by most Israeli politicians, he had declared his support for the death penalty in cases such as the Jericho fire-bombing.

Saudis flood oil market in bid to break Opec quota deadlock

By Max Wilkinson, Resources Editor, in London

SAUDI ARABIA, which owns a quarter of the world's oil reserves, flooded the markets with crude last month, according to informed oil industry executives.

First estimates put its production in the first two weeks of October at an average of 6.2m barrels per day rising to 6.4m b/d in the second two.

The Saudi's over-production represents an increasingly strident challenge to other members of Opec, particularly Iraq which has refused to accept a quota and the United Arab Emirates which has consistently exceeded its limit.

The Saudi's October output was about 2m b/d more than the kingdom's official production quota agreed with the Organisation of Petroleum Exporting Countries in Vienna in December last year, and about 1m b/d more than its production in September.

Most analysts believe Opec production will have to be reduced by at least 2m b/d from its present level of about 21m b/d to restore the market to equilibrium.

In September, Saudi Arabian output was 5.3m b/d, about a 1m b/d in excess of its quota of 4.34m b/d. This was widely seen as a tactic to put pressure on the other 12 members of Opec before a joint meeting of its strategy and pricing committees in Madrid last month.

After the meetings failed to reach agreement on new quotas Saudi Arabia apparently opened the valves still further.

Industry sources say that the country pushed down prices and chartered almost all available tankers to ensure that its own crude reached the world markets. One experienced oil industry executive said that the oil market was balanced last month mainly because "slower" Opec countries were unable to find buyers or transport for all their crude.

Saudi Arabia, which has bought a half-share in two of Texaco's refineries on the US east coast, has close contacts with the major oil companies through Aramco, the consortium managing its oil fields.

The four Aramco partners, Exxon, Texaco, Mobil and Chevron, still meet in an advisory capacity, although they no longer own any of the company's assets.

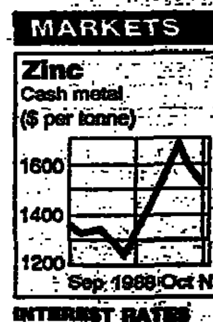
The oil industry has been surprised by the vigour of Saudi Arabia's response to the failure of the recent Opec committees' talks. Some observers believe its tactic is to apply even stronger pressure ahead of the next full Opec meeting on November 21. Others believe its main motive is to regain market share and maintain revenues.

In London, yesterday, the price of Brent blend crude fell from $12.47 per barrel to $12.15.

MARKETS

Zinc

Cash metal ($ per tonne)



INTEREST RATES
US lunchtime
Federal Funds $8\frac{3}{8}$% ($8\frac{3}{16}$)
3-mth Treasury Bills: yield: 7.562% (7.58)
Long Bond: $103\frac{3}{4}$ ($103\frac{31}{32}$)
yield: 8.781% (8.74)
London
3-month interbank close $12\frac{3}{16}$% ($12\frac{1}{16}$)

STERLING
New York lunchtime
$1.769 (1.7685)
London:
$1.7670 (1.7685)
DM3.1575 (3.15)
FFr10.7750 (10.7525)
SFr2.6525 (2.655)
Y221.5 (222)

DOLLAR
New York lunchtime
DM1.7835 (1.78625)
FFr6.0915 (6.095)
SFr1.4995 (1.50075)
Y125.175 (125.675)
London:
DM1.7865 (1.7815)
FFr6.0975 (6.0825)
SFr1.5015 (same)
Y125.3 (125.5)

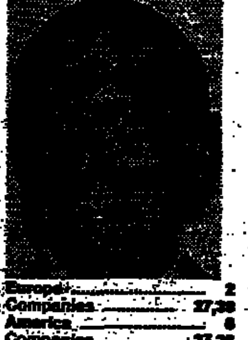
GOLD
New York lunchtime
Comex Dec
$414.2 (415.1)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,147.4 (-1.25)
S&P Comp
278.35 (-0.62)
London:
FT-SE 100
1,857.8 (+5.4)
World:
133.82 (Mon)
Tokyo
Nikkei Ave
28,013.58 (+31.13)
Frankfurt
Commerzbank
1,627.1 (-4.6)

OIL
Brent 15-day (Argus)
$12.15 (-0.325)(Nov)
West Tex Crude
$13.435(-0.26)(Dec)

CONTENTS

Manfred Wörner: the new Secretary-General of Nato



Manfred Wörner is the first German to be appointed to Nato's top post. He says he has never used the words "hawk" and "dove" and could be considered both
Page 26

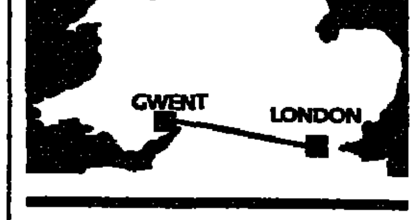
Gwent has the perfect prescription for Warner-Lambert

Major pharmaceutical company Warner-Lambert first established a base in Gwent 18 years ago and has recently transferred manufacturing here from Eastleigh in Hampshire.

Bill Butler, Director, explains why Warner-Lambert have confidence in Gwent: "The location is excellent and the M4 and the M50 provide swift links with the whole of Britain.

"We have found no difficulty in recruiting staff who have demonstrated their ability to learn new skills. In addition we are located close to a beautiful National Park, and the quality of life is second to none. In short, we enjoy being here!"

Warner-Lambert is just one of many businesses which have successfully made the Gwent Connection. To find out more, ring the Gwent Industrial Development Team on 0633 838867 for a free and confidential consultancy service. Or write to Gordon Probert, County Planning Officer, Gwent County Council, County Hall, Cwmbran, Gwent NP44 2XF.



GWENT BETTER CONNECTED.

EUROPEAN NEWS

Soviet law will 'open doors' to press

By John Lloyd in Moscow

A DRAFT law on the press about to be published by the Soviet Government will contain – according to one of its drafters – a startlingly liberal clause under which "no official in the Soviet Union will be able to deny information to a journalist".

Mr Ivan Zubkov, first vice-chairman of the board of the journalists' union, told a conference in Moscow yesterday that the new law, expected before the end of the year, would "consolidate the gains" of the glasnost process in which the media have played a central role.

It would include a guarantee of the rights of journalists to access to all kinds of information, an access which would mean in theory that no official could deny a document or a piece of information to a press inquirer.

The law is being drafted by a committee largely composed of journalists under the chairmanship of Mr Victor Afanasev, editor of Pravda, the Communist party newspaper.

There is now active discussion within the Soviet press on how the country's newspapers and journals can be made less dull and less uniform – and more market-oriented.

In an interview in the newspaper Trud yesterday, Mr Yevgeny Manyakin, the deputy Minister of Communications, *said he favoured the ending of* production quotas for newspapers, under which a set number are produced irrespective of demand.

"We suffer from too many rules and regulations in this country," he said. "I favour the idea of fluctuating circulations."

From an opinion poll also published by Trud, it seems likely that the demand for some older-established and conservative publications will fall, while public interest in the "liberal" papers, such as Ogonyek, Argumenty i Fakti, Literaturnaya Gazeta and (perhaps not surprisingly) Trud itself, will rise.

The reality of the changes foreshadowed by the forthcoming press law is likely to be *much more prosaic than it is* set to look.

Although Soviet journalism is more outspoken than it was and often crusades on the part of the battered Soviet consumer, much of it remains on the level of lengthy reports of speeches and official events together with articles which eschew hard fact for generalisation.

And while officialdom is now more forthcoming, its habitual response to a request is to refuse it.

Mr Zubkov and Mr Yuri Rechetov, deputy head of the department of humanitarian affairs in the Foreign Ministry, both stressed in their addresses to the conference that "journalists had responsibilities as well as rights."

It was clear that these responsibilities were seen to be to the state and to social harmony, to complement their rights to independence.

Moscow plan for tax on excess wage rises

By Quentin Peel

THE SOVIET authorities are to introduce a tax on excess wage rises, in a tacit admission of grave official concern at growing inflationary pressure in the economy.

In spite of officials' refusal to admit to any rapid rise in the cost of living, repeated warnings have been issued in recent months about wages rising faster than labour productivity.

The plan for a new tax, to be levied directly on state enterprises granting wage rises above the level of increased productivity, was revealed by Mr Boris Gostev, the Minister of Finance, at a post-budget press conference.

Both he and Mr Yuri Maslyukov, the deputy premier and chairman of Gosplan, the state planning committee, admitted there was inflation in the economy, but insisted it was very modest. Mr Maslyukov *estimated inflation at between* 0.9 and 1.5 per cent, depending on the basket of goods selected.

Independent economists believe that as a result of the shortage of traditional cheap goods, and their replacement with more expensive, "fashionable" varieties, real inflation may already be in double figures.

In the first nine months of the year wages increased by 9.1 per cent, against a productivity rise of 5.2 per cent. Mr Gostev admitted yesterday that this was creating inflationary pressure.

"A tax will be introduced (next year) on the increase in incomes," he said. "If incomes increase more rapidly than production, then progressive taxation will be introduced."

Mr Gostev admitted that current Soviet measures of inflation were inadequate, but said the Soviet economy had never experienced such wage increases before – a direct result of encouraging greater economic and financial independence at enterprise-level.

France's airline industry flies into heavy weather

Paul Betts reports on arguments about where the sector should be heading and how to get there

THE FRENCH have invented an evocative acronym to describe the turmoil in their deregulated broadcasting industry: "Le PAF", standing for "Panorama Audiovisuel Français". But "Le PAF" is being used increasingly to describe another sector suffering these days from heavy turbulence: the French airline industry or the "Panorama Aeronautique Français".

Domestic air travel in France has turned into a nightmarish safari with the on-off pilot strike for most of this year over the manning of Air Inter's new Airbus A320s.

Air France, the national airline, has been shaken by the crash of one of its A320s at an airshow in the summer and more recently by the Government's decision to replace its chairman.

And Mr Jerome Seydoux, chairman of the Chargeurs group, has warned that he would consider selling the *independent airline* UTA if the government did not give it new European and transatlantic routes.

At the heart of the industry's problems is the urgent need to redefine its structure and rules in order to adapt it to an increasingly deregulated international civil airline environment. The previous Government of Mr Jacques Chirac began work on a major overhaul of the airline sector but made little progress. The Socialist government of Mr Michel Rocard has now inherited the problem but time is running out.

Mr Michel Delbarre, the Transport Minister, is hoping to come up with concrete proposals before the end of this year. "That would not be too bad, but it can't wait much longer," says Mr Rene Lapautre, the UTA chairman.

He has long been one of the most vocal critics of the structure of air transport in France, a structure which he argues has become archaic. Over the past 25 years, Air Inter, in which both Air France and UTA had minority stakes, was given a virtual monopoly of all internal flights. The Government split the rest of the world between Air France and UTA, the latter being given a large slice of Africa and several Far Eastern destinations including Tahiti and New Caledonia. Air France flew everywhere else.

But UTA has argued that it cannot survive if it is restricted to its long-haul African and Far Eastern services. Mr Lapautre has campaigned vigorously for North American and European routes.

Much to the annoyance of Air France, UTA won the right two years ago to fly to San Francisco. But the independent operator has not so far persuaded the Government to let it serve Newark, New Jersey, or other European destinations in order to develop new business and to reinforce its position on its existing routes.

In an attempt to force the issue, UTA increased its stake in Air Inter from 15 per cent to 35.8 per cent and even proposed taking control. In the new French climate of privatisation, it argued that a close association with Air Inter would strengthen the airline and the competitive position of French air transport in general.

However, Air France and Air Inter did not see it that way. The state carrier maintained that at a time when its principal competitors were consolidating like, for example, British Airways and British Caledonian, France could ill afford to have two international airlines and a domestic one as well. To counter UTA, it, too, built up its stake in Air Inter to 36.5 per cent.

At the heart of the industry's problems is the need to redefine its structure and rules to adapt to an increasingly deregulated international civil airline environment

Despite Air France's traditionally powerful lobby, the former right-wing Government concluded in an initial review of the sector two years ago that the presence of several airline companies was a strength rather than a weakness.

Mr Lapautre goes further. He claims that it is misleading to say that France is unusual in Europe because most other EC countries normally have only one regular airline company.

"The real issue is what you mean by regular companies," he says. "In a country like the UK you have British Airways and lots of other smaller airline companies offering so-called charter services which are often no different to regular services.

"By 1993 you will probably see regular companies absorb charter companies at the same time as charter companies will be transforming themselves into regular companies. What is more, a small company can grow very quickly in this business."

Mr Lapautre believes so-called regular companies like British Airways, Lufthansa or Air France are playing for time. "They are seeking to delay the arrival of greater competition to consolidate their own positions and market shares," he says.

In the face of opposition to a merger with Air Inter, UTA is offering its stake to Air France.

In return, however, it wants the new routes in Europe and across the North Atlantic. This would allow it to develop its charter subsidiary, Aeromaritime, as a European scheduled carrier while expanding its international routes. With this in mind UTA has ordered 12 Boeing 737-300s.

But Air France is reluctant to see UTA operate in its traditional preserves. It fears this could undermine the international competitiveness of the French airline industry. UTA responds that France would be in a far stronger position if it offered a variety of French services on routes already open to widespread competition.

Says Mr Lapautre: "Take the US. By next April when Northwest starts its services to France, there will be seven US airlines serving France. Wouldn't it be better for France to have two airlines rather than one to compete against the American carriers?"

Air Inter, which, with its domestic monopoly, is the most profitable of the three, is also seeking to expand outside France. It has just started flights to Madrid and Ibiza, but under the Air France banner. In return, Air France is flying to Marseilles under the Air Inter flag. But the future European development of Air Inter will inevitably imply a review of the airline's domestic monopoly, which is already being challenged by aggressive French charter companies.

Complicating the matter further, Air Inter seems to be having second thoughts about a possible merger with Air France. Mr Pierre Eelsen, the company's chairman, declared firmly last week that he wanted it to remain independent.

But Air France, despite its recent top management reshuffle, continues to view an association with Air Inter as vital arguing the other major European scheduled airlines are dominant in their respective domestic markets. Not true, says Mr Lapautre, who points out that even in Britain after the BA-BCal merger British Airways does not have a monopoly of internal flights.

Against this background, the Government will now have to draw up what Mr Lapautre calls "the new rules of the game" for the industry. This will involve a decision on the domestic monopoly of Air Inter and the future status of the internal airline as well as a clarification of the relationship between Air France and UTA.

It is likely to provoke a formidable row and all the parties are already drawing up their battle lines. The airline PAF is *already living up to its broadcasting counterpart.*

Sardinian kidnappers free victim

By John Wyles in Rome

THE LEADERS of one of Sardinia's most profitable industries were yesterday counting their multi-billion lire earnings from the suffering inflicted on the person and family of the leading Roman businessman, Mr Giulio De Angelis, who was released on Monday evening after being kidnapped four and a half months ago.

Snatched in June from his opulent villa on the Costa Smeralda – the luxurious Sardinian playground developed by the Aga Khan – Mr De Angelis, 56, was reportedly badly affected by his imprisonment in the wild mountains of the Sardinian hinterland.

The police said he was "psychologically and physically prostrate" after an ordeal which appears to have cost him a portion of his right ear and his family at least L3bn *(£1.3m) in a ransom payment.*

Fortified by their earnings, the organisers of such kidnappings appear well able to buy the immunity from discovery which they now enjoy.

The authorities made some attempt to impede a commercial exchange between the De Angelis family and the kidnappers by sequestering the family's property, but in the end they were powerless to prevent what was a predictable outcome to the affair.

This included the now ritual participation of a hostage – in this case, Sergio Mantovani, a priest and family friend from Modena – who surrendered himself to the kidnappers while the ransom was duly counted. Mr De Angelis, heavily bearded and in soiled clothing, was simultaneously abandoned on a lonely hillside.

The details of negotiations between his family and the kidnappers remain obscure, but advertisements taken in the Sardinian press may have been a coded preparation for Monday night's exchange.

The family no doubt felt a greater incentive to secure his release after the arrival in August of a bloodied envelope containing part of the businessman's right ear.

More obvious is the fact that *not even the expensive private* army of protectors that money can buy on the Costa Smeralda, nor the Carabinieri, are sufficient to guarantee freedom from the attentions of Sardinia's bandits.

Less omnipresent than the Sicilian Mafia but no less ruthless nor financially ambitious, they are held by some theorists to have been pressed into renewed activity by the need to cover the costly legal and other *requirements of the families of* the dozens of kidnappers who have been brought to justice in recent years.

Spain set to press Portugal for easing of restrictions

By Diana Smith in Lisbon

MR FELIPE GONZALEZ, the Spanish Prime Minister, is expected to press for the easing of restrictions on the flow of capital and services between his country and Portugal when he meets Mr Anibal Cavaco Silva, his counterpart in Lisbon this week.

Mr Gonzalez is in the Portuguese capital for one of the periodic meetings demanded by the 1977 Friendship and Co-operation Treaty.

Since both countries joined the European Community in 1986 their barriers have shrunk. Trade has boomed and Spain is now Portugal's largest supplier. This year's exports to Portugal may exceed $1.5bn. Portuguese exports to Spain will be about half this sum.

Some 500 Spanish companies have set up in Portugal since 1986. But banks, keen to penetrate the Portuguese market, have had a less easy time. Applications for licences by Banco Exterior and Banco Central have languished in the Portuguese Finance Ministry queue for seven years.

Of all foreign institutions eager to operate in Portugal, the local authorities seem to fear those of their neighbours most, as if letting in too much of Spain might threaten national identity.

Banco Hispano-Americano and Banco Bilbao-Vizcaya skirted the queue and set up Portuguese investment firms. Now a year old, Hispano-Americano Sociedade de Investimento has a high profile, and has been invited to handle the sale of the state's 82 per cent share in Empresa de Polimeros de Sines, a semi-private polymer factory.

Mr Gonzalez, reflecting the impatience of many of his countrymen with Portugal's financial red tape, is likely to ask his hosts this week to push open the financial door further.

A few Portuguese banks have opened small Madrid branches. Portugal's Multibanco cash card is now valid in Spain and Spain's multibank 4-B card in Portugal. Spanish insurance and capital market operators have discreetly taken positions in Portuguese ventures, but many financial hurdles persist.

The Portuguese, meanwhile, want less Spanish red tape over their textile, clothing, footwear, cutlery and vehicle exports. There are no longer overt customs barriers, but highly complicated specifications that, Portuguese manufacturers say, hamper them.

Iceland announces spending cuts in austerity budget

By Robert Taylor in Reykjavik

THE ICELANDIC Government yesterday announced tax increases and spending cuts in a budget aimed at producing a surplus in 1989 after three years of deficits.

Announcing his proposals Mr Olafur Grimsson, the Finance Minister, said there would be no increase in real terms in government expenditure for the coming year. The budget seeks to achieve a IKr1.1bn (£114.5m) surplus, around half a per cent of the country's GDP, reversing an expected deficit of IKr3.3bn in 1988.

The Government is trying to make Icelanders live within *their means after a period of* overheating in the economy that has sent inflation, investment and spending sky-high. Inflation is now running at 25 per cent a year. It expects a decline of 5 to 6 per cent in average disposable income next year and a fall of 2.6 per cent in total domestic demand. However, the country's current account deficit is predicted to remain high in 1989, totalling IKr12.4bn or 5 per cent of GDP.

The relative austerity facing Icelanders will involve a slight increase in the present level of income tax now running at 35.2 per cent, as well as rises in property tax, excise duties on a wide-range of goods, a staged increase in the petroleum levy *and a rise in car import duties.*

Private companies face a rise in taxation as well as on interest income and investment credit funds and there will be a crackdown on corporate tax loopholes. A 12 per cent sales tax will be levied on lottery tickets.

The Government plans cuts in its investment programmes in posts and telecommunications, construction and energy projects as well as a reduction in overtime working.

The Government is ruling out for the time being any further devaluation in the kroner. It hopes that the prices and income freeze due to end next February will help to dampen down expectations and lead on *to a period of moderate pay* increases next year.

Waldheim ends tour of Mid-East

By Jim Bodgener in Istanbul

MR Kurt Waldheim, the Austrian President, is ending his tour of Middle East countries today with an unofficial stopover in Istanbul. He is scheduled to have dinner privately with Turkey's President, Mr Kenan Evren, but there are no plans for him to meet the Prime Minister, Mr Turgut Ozal.

The low-key nature of the *stopover after Syria and* Kuwait is a far cry from expectations of a full state visit to the capital, Ankara, earlier in the year. It appears likely the Turkish government has been persuaded not to make Mr Waldheim's visit any more controversial than it already is.

It is the first to a fellow Nato country (apart from one paid to the Vatican) since the scandal broke three years ago of his alleged participation in, or *knowledge of, Nazi atrocities* during the Second World War.

Members of a US Congress foreign affairs sub-committee have written to the Turkish Government, protesting at the visit, and Zionist lobbies in the US and the European Community have also raised concern. But within Turkey itself, the political opposition has remained unusually silent on the issue. Nor has there been any fervent outcry from Turkey's *sizeable* Jewish minority.

But protesters plan to confront him today.

Norway 'needs to aim for zero growth'

By Karen Fossli in Oslo

NORWAY will need to achieve a growth rate of zero over the next two years if the country is to restore balance to its ailing oil-dependent economy, according to Mr Kjell Andersen, special adviser to Norway's OECD delegation. The Norwegian economy was sent reeling in 1986 when oil prices plunged to below $9 a barrel.

Only last month, the Government unveiled a strikingly optimistic budget which relies completely on earnings from the petroleum sector to allow for a real increase in spending of 3.5 per cent.

However, the budget may well fall *short of its intentions* and expectations, given the recent fall in the international price of crude oil. The budget figures were based on an oil price of NKr100 a barrel and an exchange rate of NKr7 to the dollar, giving an oil price of $14.30 per barrel.

Speaking at an annual press seminar on petroleum activities in Norway, Mr Andersen referred to an OECD model which calls for zero wage growth versus a 5 per cent growth this year.

Without giving details, the minority Labour Government said last month that the overall policy for 1989 is designed to create favourable conditions for a wage settlement that can ensure a further decline in wage and price inflation.

For 1988 it gained the backing of the national employers' organisation to freeze wages at 5 per cent.

Because interest rates have remained about 5 percentage points higher than Norway's trading partners, there is a lack of enthusiasm by the organisation to continue its backing for a moderate wage settlement in 1989. This is despite the central bank having cut its overnight lending rate three times already this year.

Under the OECD scenario, Norway's annual rate of inflation, which is currently at about 6.8 per cent, could be lowered to between 3 and 3½ per cent next year. This would allow Norway's mainland economy *to strengthen* by creating an environment which would allow industry to become more competitive.

Venice bans use of high phosphorus detergents

VENICE yesterday began enforcing a law that bans the sale and use of detergents with high phosphorus content, which have been blamed in part for severe pollution of the lagoon, AP reports from Venice.

Last summer, gondoliers and tourists endured the stench of dying algae in Venices's canals, which serve as sewers as well as thoroughfares in the boat-dependent city.

Algae thrive on pollutants and then die when they use up all the oxygen supply, leaving in the wake a nauseating, rotten-egg-like smell and green *slime. According to Deputy* Mayor Rosa Carbone, 2,000 tons of phosphorus from industrial, agricultural and residential use pour into the lagoon each year.

The city ordinance, which the Italian news agency ANSA called the first of its kind in Italy, prohibits detergents with a phosphorus content of more than 1 per cent. Violators could face arrest

City officials will begin spot checks of stores to see if higher-content detergents are being sold.

In July, the national government allocated L3bn ($2.2m) to help Venice fight the algae.

Mayor Antonio Casellati called the city action "only the first step in the battle against *pollution, but it is a necessary* step in order to avoid aggravating the environmental situation."

Finland charts an economic course for 1992

By Olli Virtanen in Helsinki

FINLAND WILL not seek membership of the European Community but is aiming for close co-operation with the EC, according to a government report on the greater integration of Western Europe.

The report is the first comprehensive document outlining Finland's relations with Western Europe after 1992 and the European single market. It reiterates that EC membership "is incompatible with Finland's policy of neutrality" but that the country must safeguard its interests vis-a-vis Europe.

To that end, it wants the European Free Trade Association strengthened. All Efta countries have similar agreements with the EC and together they form the Community's biggest trading partner.

The document does not discuss the possibility of Efta countries joining the EC, an idea already discussed in Austria, Norway and even in Sweden. But Mr Pertti Salolainen, the Foreign Trade Minister, *said Finland might* have to re-evaluate its position in the 1990s. The Government presents a wide ranging agenda for increasing co-operation in Western Europe in the fields of science and technology.

FINANCIAL TIMES

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Portugal struggles to catch up with European classrooms

Diana Smith in Lisbon examines an urgent upheaval in education initiated by a minister who has done his homework

PORTUGAL is struggling to make up in four years for four generations of neglect of education, health and living standards that has helped to condemn it to the bottom rung of the EC ladder.

Among the most conspicuous costs of sociological and educational underdevelopment are an adult illiteracy rate of 23 per cent nationwide and 38 per cent in some rural areas, an unskilled and poorly paid underclass, and thousands of undernourished, slow-learning children or child alcoholics addicted in infancy when illit*erate mothers pacified them* with wine not milk.

Another aspect is child labour – illegal but encouraged by uneducated parents – with an estimated 40,000 minors working 12-hour days in textile and shoe factories or on building sites for a fraction of the meagre national minimum wage of Es27,600 ($180) a month.

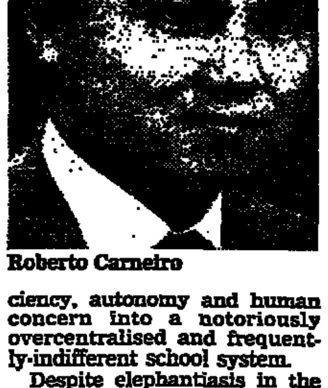
The schooling record is bleak, with failure or drop-out rates of 40-50 per cent. Among the causes are badly-paid or underqualified teachers who are often absent and not substituted for weeks on end.

The country needs to spend more on primary, secondary and higher education, but a national debt 80 per cent of GDP and a budget deficit exceeding 10 per cent of GDP leave little room for drastically-increased spending.

Nevertheless, the Anibal Cavaco Siilva Government, and particularly Mr Roberto Carneiro, the Education Minister, are trying to undo the damage *of generations.*

Spending on education has grown from less than 4 per cent of GDP to more than 5 per cent and school and university reforms have been given top priority.

More than money is required to strengthen Portugal's weak educational fabric and to shake the system out of its apathy. Mr Carneiro, 42, father of eight and consultant to the World Bank, is battling to inject efficiency, autonomy and human concern into a notoriously overcentralised and frequently-indifferent school system.



Roberto Carneiro

Despite elephantiasis in the Education Ministry, a sleepy state within a state of 400,000 people that has stubbornly ignored streamlining efforts, Mr Carneiro has seen some results in his first combative year in office.

In January he set up an "anti-failure programme" involving 110,000 of Portugal's 1.8m pupils and students. He claims that his goal of 5 per cent fewer failures turned by July into a near-miraculous 10 to 15 per cent improvement in all but six of the 120 target schools.

Sandwiches and milk were responsible for startlingly-improved learning ability in many schools: an eloquent illustration of the state of nutrition in many homes.

*Instead of putting small chil*dren to work as factory or building-site drudges, semi-literate parents lined up to enrol their offspring at schools that now provide food, extra medical care and counselling and seek to involve local government, businesses and parents in school management.

By 1989 Mr Carneiro wants to extend the programme to 250,000 children. He is nagging the Finance Ministry for extra funds and fighting to eliminate the red tape that prevents supplies and innovative decisions from filtering through the system.

He is also trying to tap EC regional or social funds to build up the intellectual and vocational health of the nation through a four-year special programme, expected to be approved in Brussels by the end of the year.

The Es400bn programme has been earmarked to improved and modernise schooling in mainland Portugal, Madeira and the Azores Islands.

EDUCATION TARGETS FOR 1992
As percentage of eligible population

	Portugal current	EEC average	Portugal 1992 target
Pre-school education	39	80-90	75
Nine years schooling	40	95	80
Vocational/technical	5	50	50
Special education	26	-	40
Illiteracy rate	15	#	10
Higher education	11	25	20

Less than 10 per cent

Not only elementary, but also higher education and vocational studies have joined the race to improve. Mr Carneiro wants universities to be independent and to shift their emphasis from theory into pratical knowledge. He is urging industry and business to support universities as well as the new polytechnics and business management schools now beginning to make an impact.

Of 120,000 students in higher education, only 14,000 are learning technical or business skills, and Mr Carneiro wants Portugal to get nearer to EC averages of half career and half academic courses. The lack of skilled technicians and workers is becoming more widely recognised by the Cabinet as being a restraint on economic and industrial development.

Mr Carneiro tirelessly urges the public into understanding the threat of 1992 if an unprepared nation tries to delude itself that EC competitors will hold back out of charity, or that undertrained citizens will find advancement in the Euromarket.

When Europe began its post-Second World War industrial build-up, Portugal passively let her people cross frontiers in search of jobs, however gruelling, that paid better than the pittance offered at home.

The highly-educated Mr Carneiro is sick of the image of migrants toting cardboard suitcases. Better education, he believes, whatever it costs, will keep the Portuguese at home in better jobs and foster national pride as well as the national product.

EUROPEAN NEWS

Plugging gaps in the Austrian press

Judy Dempsey in Vienna reports on a minor media revolution

They say breakfast in Austria will never be the same again. It is not that the coffee, probably the best in Europe, has changed. Nor has the excellent quality of the locally baked bread. It is the choice of newspapers that has changed.

Austrians are waking up to their first new newspaper since the 1950s – Der Standard. And it could be the catalyst for radically transforming the Austrian media.

The size of Le Monde and the colour of the Financial Times, Der Standard now hangs on the newspaper racks of the Viennese coffee houses.

It is the brainchild of Mr Oscar Bronner, a charismatic, no-nonsense 45-year-old Austrian.

He had spent the best part of 13 years living in New York as a successful artist. He usually read the New York Times over breakfast.

On his return to Austria in 1986, he realised he could not take the daily dose of the Austrian media.

"I wanted news and analysis. I wanted to be informed. I wanted a decent economics section. The Austrian media didn't provide any of this," said Mr Bronner.

As liberal-minded intellectuals see it, the problem with the Austrian media is that it is too parochial in outlook and too tied to political and other interests.

The staple diet for most Austrians remains the Kronen Zeitung, whose anti-intellectualism, peppered with anti-semitism and xenophobia, excelled itself during the Waldheim affair when, during Austria's presidential election campaign, allegations were made about the former UN Secretary-General's wartime history.

Kronen Zeitung, formerly owned by the trade unions, remains a bastion of small-mindedness but still manages to sell a staggering 2m copies a day, out of a population of just over 7m. Per capita, that makes it one of the biggest circulation papers in the world.

But for those who wanted something with a bit more quality, they could turn to the conservative Die Presse – seen as Der Standard's main competitor and enjoying a daily circulation of 75,000 – or to the liberal-minded Salzburger Nachrichten, probably the only decent and serious newspaper in Austria but whose circulation – about 74,000 copies a day – and readership is largely confined to the west of the country.

Even with such newspapers as the Salzburger Nachrichten and the liberal Kleines Zeitung from Graz, foreign coverage was, and remains, extremely patchy.

The Austrian media has been inward-looking since the Second World War, in contrast to the period when newspapers blossomed because of the influence of the Jewish community

Aware of the gaps in the market, Mr Bronner made inquiries about the possibility of founding a newspaper.

He was not new to the game. In the 1970s, he set up Profil, the highly successful political weekly, and Trend, the economics monthly which has lifted the quality of the country's journalism as a whole.

Throughout 1987 and early 1988, Mr Bronner was preoccupied with raising capital, creating a market and attracting advertisers and good journalists.

Then, earlier this summer, Springer, the West German newspaper barons, came into the picture.

According to Mr Bronner, the Springer group was impressed with the idea of financing a liberal newspaper in Austria, even though Springer's reputation for backing anything remotely liberal remains to be tested.

A deal was struck. Springer put up the majority of the capital, split the voting rights down the middle and promised Mr Bronner it would not interfere with the editorial content.

Once that was agreed, Mr Bronner scoured Austria for journalists.

This was no easy task. Since the Second World War, the Austria media has remained largely inward-looking and shy of analysis and criticism.

This was in sharp contrast to the pre-war period. Then, the newspapers blossomed because of the influence of the Jewish community which provided the papers with its best writers, commentators, critics and journalists.

But the Holocaust, followed by the emigration of the remaining Jewish middle-class, closed a rich era in Austrian journalism.

However, the destruction of Austrian Jewry does not fully explain why the Austrian media never encouraged a new generation of journalists.

Some Viennese journalists point the finger at the development of post-War Austrian politics in which consensus and the *sozialpartnerschaft* – under which political parties and trade unions ironed out their differences, not on the barricades, but behind closed doors – prevented the open articulation of conflict and criticism of the political parties.

"No newspaper was supposed to rock the boat," one journalist commented. There was also the system of patronage whereby some journalists would write the press handouts for the state-run banks, thus ruling out any serious criticism of the bank's balance sheets.

This further inhibited the growth of economic journalism which today is more necessary than ever before given Austria's privatisaton plans and attempts to move closer to the European Community.

"In short, newspapers here are used by the politicians," according to a journalist now employed by Mr Bronner.

Der Standard hopes to change all this.

With a 35-strong editorial staff, a business staff of about 25, annual running costs of around Sch160m (about $13m), Mr Bronner is determined to make his liberal paper jolt the public consciousness and "provide people with a decent read every day."

So far, in a fortnight since the launch, the public response has been way above expectations. The paper is printing 100,000 copies, advertising is rolling in, and the number of pages has been increased from 24 to sometimes 32. More than 5,000 people have already subscribed.

Mr Bronner knows that the numbers will bottom out. "We originally aimed for a daily run of around 50,000-55,000 copies. We are on schedule."

So far, Der Standard appears to have been well-received, particularly among the business community, and there is a general feeling that Der Standard is a breath of fresh air, and that it will succeed. Mr Bronner is determined that this will be the case.

A minor revolution is in the making.

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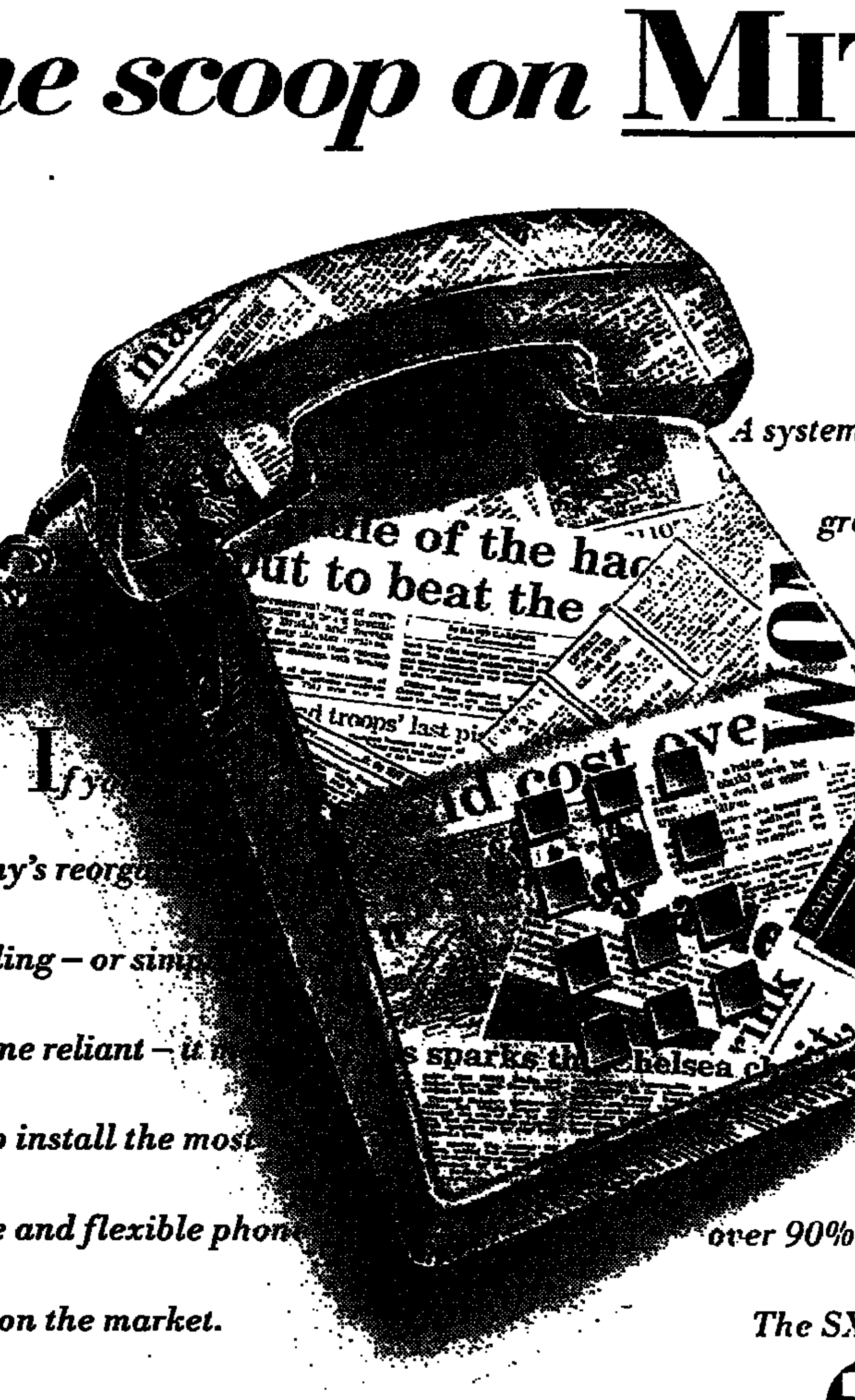

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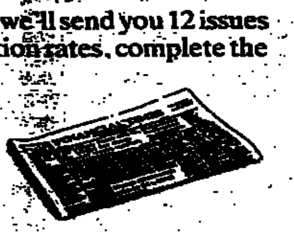

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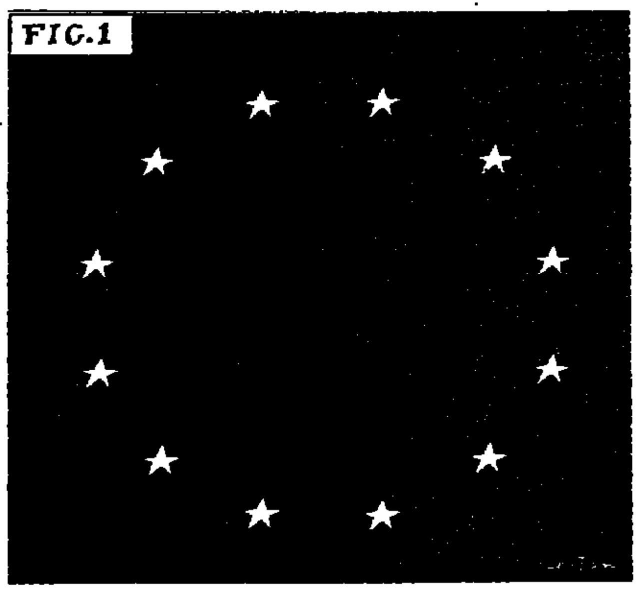
FIG. 1



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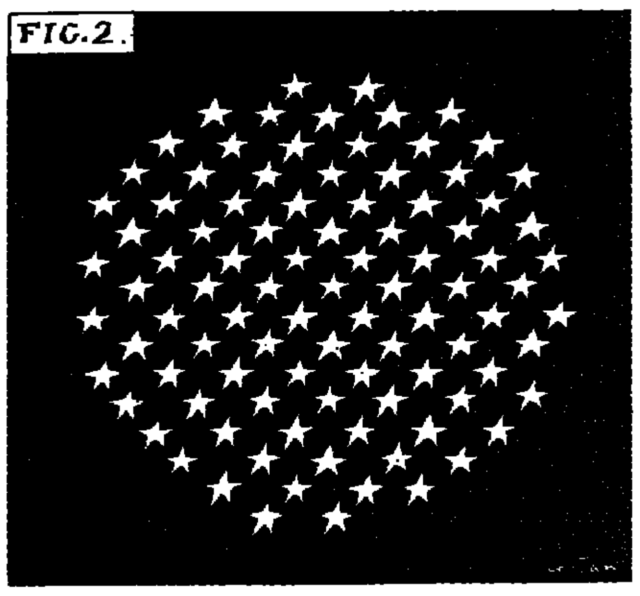

THE FINE ART OF FLYING

AIR FRANCE

Parties try to lift Pakistani poll campaign

By Christina Lamb in Lahore

JUST TWO weeks before Pakistan's first free elections in 11 years, the launch of nationwide campaigns by both the pro-establishment Islamic Democratic Alliance (IDA) and Miss Benazir Bhutto, leader of the opposition Pakistan's People's Party (PPP), scarcely raise the remarkably low election tempo.

Both sides boarded trains in Karachi, the PPP, the party of change, travelling first class, while the reactionary IDA rode the bumps on the wooden seats of second class.

The IDA ended their whistlestop tour in Lahore scarcely noticed, while attention focused on the first major appearance of Miss Bhutto since her recovery from a kidney infection and caesarian operation. Her month-old baby was left with husband Asif as she travelled the 1,200 miles between Karachi and Rawalpindi, addressing crowded platform meetings en route.

The PPP, expecting a tough fight in the crucial province of Punjab, which has 60 per cent of the votes, was relying on Miss Bhutto's tour to rally support.

South Asians love a spectacle and in a country whose Islamic strictures mean that entertainments are still of the medieval cock-fighting variety, the atmosphere was fiesta-like with party workers dancing on carriage roofs.

However, the ability to draw a crowd is no guarantee of support at the ballot box, and PPP insiders admitted that even these crowds were disappointing. The curiosity factor which in 1986 inspired 2m people to throng the streets of Lahore on the return of Miss Bhutto, daughter of the late Prime Minister Zulfikar Ali Bhutto, who was executed in 1979, seems to have been dissipated.

One disillusioned passenger on the train, who said he would not vote, explained "we're tired of slogans about Bhutto and Zia – they won't fill our stomachs." In fact many of the most ardent chanters of the "long-live Bhutto" slogan were too young to remember the late founder of the PPP, and often less than the 21 years required to vote.

However, in an election the politicians have made devoid of issues, Ms Bhutto still seems to see the struggle as a fight between two dead men.

"We will be successful because the emotional Bhutto factor is still extremely strong." The PPP campaign is truly a family affair – if it is successful not only is Pakistan likely to have its first woman Prime Minister, but also its first national assembly containing mother, daughter and father-in-law.

Despite having given 93 out of 115 tickets in the Punjab to feudal leaders, Ms Bhutto still claims that the PPP is "the only party of the poor and downtrodden".

She charged that the caretaker government was trying to manipulate the result, by first gerrymandering constituencies, then insisting that people can only vote if they have identity cards. She claims that 70 per cent of people in rural areas are still without the cards, which, although required by law, involve considerable bureaucracy which many villagers, particularly illiterate women (65 per cent of the female population), cannot understand. The PPP has filed a case to lift the requirements for identity cards, but if it fails Ms Bhutto is urging people to insist on their right to vote with or without a card.

Benazir: first class

While Ms Bhutto was trying to drum up support in the Punjab and her arch rival Nawaz Sharif, chief minister of the Punjab and leading IDA figure, was heading a well orchestrated procession in Lahore, the hottest election debate was over bicycles, the IDA's election symbol.

Thousands of bicycles have been bought for IDA candidates to give away or to ride as election gimmicks, but Pakistani manufacturers complain that truck-loads of smuggled Russian bicycles have been bought at a quarter of the price of domestically made ones.

One independent candidate in Lahore is offering bicycles at an even lower price. He was granted an IDA ticket and bought 1,000 bicycles. After heated negotiation his ticket was withdrawn, leaving him to contest as an independent with a clock as his symbol and a thousand bikes for sale.

Botha: threat to order

Pretoria bans Weekly Mail for one month

By Anthony Robinson in Johannesburg

THE South African Government's long-running war against press freedom has been taken a step further with a decision by Mr Stoffel Botha, the Interior Minister, to ban for a month the country's most successful "alternative" newspaper, the Weekly Mail.

Mr Botha, a former lawyer and current provincial party boss in Natal, now wields the formidable media control powers incorporated in the state of emergency regulations. He accused the Mail of "systematic or repetitive publishing of matter which, in my opinion, has, or is calculated to have, the effect of causing a threat to the safety of the public or to the maintenance of public order or is causing a delay in the termination of the state of emergency".

A Mail editor commented yesterday: "If we are such athreat to public safety why just ban us for a month?" The answer could be because the four pre-Christmas November editions are the paper's biggest advertising revenue earners. The banning will seriously damage the paper's fragile financial viability. The Mail now has a circulation of just under 25,000 and is required reading for the thoughtful section of South African society ranging from secret policemen to diplomats as well as foreign correspondents, trade unionists and cognoscenti of "a good read" generally.

Born from the ashes of the defunct Rand Daily Mail nearly three years ago it employs 30 full-time staff with a monthly salary bill of around 65,000 rand. After a slow start advertising revenue has climbed steadily in recognition of its readership profile and its serious comment on the arts and economics and finance as well as the light it casts on the deeds of the security forces and the Government's "dirty tricks" department.

Last week's edition, for example, ran a "Hands off the press" advertisement from Shell which read "You can silence the press. You can't silence the people." Underneath, it continued: "The people want the Weekly Mail." Another prominent "big business" support ad was that of the Anglo-American Corporation which read "We have a right to know what is happening in our country."

That is not a view apparently shared by Mr Botha, however, who has been waging what Mail editors call "a war of a thousand pin-pricks" for over a year. He has already used the emergency powers twice to confiscate the Mail after it hit the streets and has in the meantime waged a bureaucratic war through the byzantine complexity of press legislation which seeks to intimidate by a series of official warnings before banning a publication.

Last month Mr Botha banned another independent publication called Frontline. In its leader column yesterday the Johannesburg Business Day said the move reflected what it called "the primitive intellectual climate in government".

HK Stock Exchange blocks flotation

By Michael Marray in Hong Kong

THE Hong Kong Stock Exchange has postponed the flotation of Cosmos Machinery, a local company, citing poor documentation and insufficient information for investors, in a move seen as setting the tone for an era of tighter regulation of the colony's stock market.

Cosmos, an industrial products and machinery distributor, intended to float 25 per cent of its shares this month, but the exchange has told the company to reapply with more information.

Last week the exchange vetoed a rights issue by Paul Y Holdings, a property company controlled by Mr Thomas and Mr Joseph Lau, two Hong Kong businessmen, in another show of strength by the new stock exchange team.

A new Stock Exchange governing council was elected on October 17, which subsequently elected local banker Sir Quo Wei Lee as its chairman, and appointed Mr Francis Yuen as chief executive.

They replaced a caretaker administration headed by Mr Robert Fell, which had been running the exchange since the January arrest of Mr Ronald Li, the former chairman who is awaiting trial on corruption charges along with seven former colleagues.

The new administration is charged with rehabilitating a market tainted with lax regulation and alleged corruption.

"We have a very strong listings committee," commented Mr Yuen, indicating listings would be closely vetted.

The early tangle with the Lau brothers came after Paul Y announced that it was to raise HK$298m (£21.49m) via a rights issue. Disquiet at the large number of cash calls being made on the market by the controversial Lau brothers was seen as behind the blocking move, though the exchange officially cited insufficient information on how the proceeds were to be used.

Farmers bring their voting power to Delhi

K.K. Sharma reports on how India's politicians have been reminded of the rural vote

MR MAHENDRA Singh Tikait, the burly and charismatic president of the Indian Farmers' Union, is clearly no peasant but he is cast in the mould of a revolutionary. Guarded by a dozen shotgun-toting bodyguards, the six-foot Mr Tikait in soiled homespun clothes had puffed at the traditional farmer's *hookah* (bubble pipe) as he spoke laboriously each day for the past week to tens of thousands of his followers squatting patiently on the spacious lawns of New Delhi's Boat Club.

The lawns yesterday were being cleared of makeshift straw and tattered cloth shelters and the dirt left behind by the demonstrating farmers whose unprecedented week-long sit-in left the Government and police helpless. The sit-in has now ended but only after New Delhi got a taste of the awesome farmer power that Mr Tikait showed he is capable of wielding.

The farmers roughed it for seven nights, sleeping in the open at the start of New Delhi's chilly winter. Tractors blocked the main road to the Indian Government's offices and loudspeakers blared challenges to authority as the farmers defied a ban on their huge gathering.

The farmers have now returned to their villages in 11 states to launch a civil disobedience movement that has great political potential as the time for general elections is thought to near.

Mr Tikait proclaimed that his movement was non-political and aimed only at getting a better deal for farmers. Yet no political party could ignore him. Opposition groups rushed to offer support and ministers held talks with farmers' representatives.

Such is their importance in a country where 80 per cent of the population ekes out a livelihood from agriculture that it is almost certain that no action will be taken when the farmers start their civil disobedience campaign of refusing to pay taxes and other dues to the Government.

"The Government has not responded to our demands so we refuse to recognise the Government," roared Mr Tikait on Monday as he ordered his followers to launch the civil disobedience movement much in the same way that Mahatma Gandhi, the spiritual leader who led the fight for Indian independence, did more than six decades ago.

Indeed, Mr Tikait claims to be a follower of the Mahatma. "I am wedded to truth and non-violence," he said. Yet he has raised a "farmers' army" of more than 10,000 youths who have licensed weapons, and he can issue orders that will be followed by millions of farmers in the politically important Hindi heartland in northern India.

"I will fight to the finish to secure justice for the exploited farmers," Mr Tikait vowed on the last day of the sit-in.

His withdrawal from New Delhi without any of his demands having been conceded showed that the canny farmers' leader is also a masterful tactician. As in the past when he has organised similar demonstrations in other parts of the country, Mr Tikait stopped the sit-in before it got out of control.

Politicians find it hard to assess the importance of the phenomenon of Mr Tikait. They have to come up with some sort of answer to the farmers' demands at a politically uncertain time. Mr Tikait is, after all, one of several hundred million farmers in the country and each of them has a vote.

Farmers and their tractors gather in central New Delhi

The farmers' movement is growing. Mr Tikait is the undisputed leader in northern India but similar demonstrations have been organised in other parts of the country, notably by Mr Sharad Joshi, a former civil servant in the United Nations, in western states. For the first time, the farmers are getting organised and, as a lieutenant of Mr Tikait warned: "It is difficult to get farmers together but once they gather as we have done in New Delhi, there could be a revolution".

Yet the movement is clearly no peasants' revolt. All of Mr Tikait's followers are land-owners cultivating farms varying from two to 15 acres in size. What angers them is the fact that they have not shared the gains of the country's undoubted progress in agriculture and that farming continues to be unremunerative despite the increase in production of all crops.

Even Mr Rajiv Gandhi, India's Prime Minister, has acknowledged that farmers are getting "step-motherly" treatment from the Agriculture Ministry which fixes the support prices of all crops. Some of the farmers' demands are clearly unreasonable – like waiving of all past loans to them – but there is considerable merit to others, such as higher prices for their produce to enable them to meet the costs of inputs and have enough left for a decent living.

One official study has shown that at present farmers owning up to seven acres have "negative household savings" while those with 25 acres have incomes equal to clerks in government offices. Only the top 10 per cent of farmers owning more than 35 acres have sizeable per capita incomes.

The Government faces big problems in dealing with farmers' demands since inputs such as fertilisers and seeds are already heavily subsidised and there is pressure on it to cut subsidies to contain the growing budgetary deficit. Officials say that any substantial rise in prices of farm produce could trigger inflationary forces.

Mr Tikait is not impressed by these arguments since he points to the growing economic disparities between the urban and rural sectors. "We are totally disillusioned by the treatment meted out to farmers who are burdened with taxes and low prices," he said. Having demonstrated his ability to create turmoil, his threat to give New Delhi another taste of the farmers' power cannot easily be ignored.

HIGH COURT TO RULE ON DELHI LAND DEVELOPMENT ROW

A CONTROVERSIAL land deal with has caused a row between the Delhi administration and a leading industrial group entered a new phase yesterday when DCM, the Delhi-based conglomerate, challenged in the high court a government order refusing permission for it to close its 100-year-old textile mill located on prime land in the Old City, K.K. Sharma writes from New Delhi.

DCM (Delhi Cloth Mills) has been making heavy losses at the mill and wants to close it and sell 63 acres of the site. The windfall gains from the high price at which the land is to be sold are to be shared with the workers who have welcomed the planned closure. But it is opposed by the Delhi administration which was recently ordered by the high court to examine DCM's move and grant permission.

Against all expectations, the Lieutenant-Governor of Delhi refused the permission last weekend on the ground that the workers' interests were not protected. DCM's representatives feel this was done for political reasons, particularly as the administration's decision defied an earlier ruling by the high court.

A protracted court battle over the land deal is now expected between DCM and the administration which was yesterday accused by the company of taking a decision contrary to the court order because, it claimed, its executive councillors wanted to further their own "personal and extraneous ends".

The land can be sold for Rs2bn (£81m) for redevelopment and DCM has offered Rs700m of this to the workers as compensation.

Gulf states in air manoeuvres

SIX GULF Arab states will carry out their biggest joint air manoeuvres from November 5 to November 15 in Kuwait, a Kuwaiti official said yesterday, Reuter reports from Kuwait.

Major Saber Mohammed al-Suwaidan, operations director in the Kuwaiti air force, told a news conference that 44 jet fighters of different types would take part.

They would come from member states of the Gulf Co-operation Council (GCC), which was formed by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates in 1981 to boost political, economic and military co-operation.

The manoeuvres, codenamed Peninsula Hawk 2, would be carried out in conjunction with a joint GCC army strike force known as Peninsula Shield.

The exercise was designed to "help strengthen the exchange of expertise and provide a chance to support the land forces of Peninsula Shield," Major Suwaidan said.

Peninsula Shield, set up in 1985, consists of two brigades and is based at the north-east Saudi Arabian desert town of Hafr al-Batin.

Sudanese rebels 'down helicopter'

SUDANESE rebels claimed yesterday to have downed a government helicopter trying to evacuate wounded soldiers from a garrison town in the country's south, killing 19 soldiers, AP reports from Nairobi.

Radio SPLA, mouthpiece of the rebel Sudan People's Liberation Army, said the helicopter was destroyed following attacks on the Yabus army garrison between October 24 and October 27.

The garrison is several hundred miles south-east of Sudan's capital Khartoum in Blue Nile province, according to the Radio SPLA.

The radio statement, broadcast from Ethiopia and monitored in Nairobi, did not say when the helicopter was destroyed, and mentioned no rebel casualties.

Sudan's southern rebels have been fighting the government, which is dominated by northerners and Moslems, since 1983. The southerners, mainly followers of Christianity or traditional religions, are seeking greater autonomy and an end to Islamic law.

INSIDER TRADING CHARGES HIT INVESTOR CONFIDENCE

Seoul arrests dismay market

By Maggie Ford in Seoul

SECURITIES firms and the South Korean Stock Exchange are expected to move swiftly to repair the damage to the financial market caused by the arrest of 12 people charged with insider trading. The arrest of two employees – including a top branch manager – at Daewoo Securities, a respected market leader, and two senior officials of the stock exchange, has dismayed the financial industry.

Investor confidence has been hit when the government is trying to broaden the base of stockholders before opening the market to direct foreign investment.

The men are alleged to have used information on share prices to manipulate the timing of transactions so that big customers benefited at the expense of the small investor in a rising market with a shortage of shares.

They are also charged with illegally conspiring to make profits themselves. Brokers are effectively banned from trading in securities on their own account except through in-house savings plans.

However, false-name transactions are legal, providing an often irresistible temptation to traders, many market analysts say. Several other characteristics of the financial system make it easy to evade controls.

- Computerisation of transactions covers only a few dozen issues, making manipulation of timing impossible to detect.
- Lack of electronic links within securities firms has given branch managers almost total unsupervised control over their business. A Daewoo securities executive said the company was unaware of its employees' alleged wrongdoing and now planned much stronger personnel supervision.
- The Korean stock market has a history of manipulation by speculators and so-called "big hands" – individual rich investors. In the past, government and other figures have been suspected of intervention for their own purposes weakening the authority of the official supervisors.

Brokers believe that the damage to the industry's reputation could help focus attention on the need to rid the market of illegal insider networks, out-of-date regulations and poor facilities.

Pointing out that the market was now too big and too important for the economy as a whole, the Daewoo securities executive said that the problem must be treated as fundamental, not just as a matter involving speculators. "Coming after the scandals in the US and Japan, this is a tragedy for my company," he said.

Rising Taiwan $ prompts fears among exporters

By Bob King in Taipei

AFTER several months of stability, the Taiwan dollar has begun a second round of rapid appreciation, prompting renewed fears among exporters that their products will become less competitive in the near future.

The renewed rise followed the recent publication of a report by the US Government which accused Taiwan of manipulating the currency, which if true would allow the US to retaliate against Taiwanese products. Last week Mr Fredrick Chien, Taiwan's top economic planner, denied the manipulation charges, saying that the Government only "intervened" from time to time to avoid extreme swings in the currency's value.

Following the US report, the Taiwan dollar rose by eight cents against the US currency last Wednesday and Thursday, 10 cents on Friday, and a record 16 cents on Saturday. There was no trading on Monday, a national holiday, but the Taiwan dollar resumed its appreciation yesterday, rising another 12 cents.

Panic selling of US dollars by banks and the public lie behind the sharp declines, especially as the Central Bank has indicated that it is prepared to allow the currency to keep on appreciating. Mr Chang Chi-cheng, the Central Bank's governor, said on Saturday that the bank could no longer cushion the Taiwan dollar's rise, despite its continuing purchase of hundreds of millions of US dollars.

Many Taiwan companies, especially in traditional sectors such as footwear and garments, have been forced to curtail or suspend operations because the currency rise has made their goods much more expensive abroad.

Population of China to reach 1.27bn

CHINA'S population could reach 1.27bn by the year 2000, some 70m more than the target, the nation's top family planning official has said, AP reports from Peking.

Peng Pelyun, the State Family Commission Minister, said the goal of limiting the population to 1.2bn at the turn of the century no longer seemed realistic, the official China Daily reported yesterday.

Peng is the highest-ranking official to acknowledge that the target set in the 1980s will not be met, although demographers estimate the population in 2000 will be between 1.25bn and 1.28bn. The population is now about 1.08bn.

Since the beginning of this decade, family planners have tried to hold down population growth by advocating that each family has only one child and by encouraging the use of contraceptives and abortion.

The natural growth rate fell to 1.1 per cent in 1985 but climbed to 1.4 per cent in 1986 and 1.6 per cent last year, a result of opposition to the one-child policy in the countryside and a second-generation baby boom, as people born in a population surge in the early 1960s began raising families.

Peng said 78 per cent of couples used contraceptives, but only 18 per cent wanted only one child.

She said more than half of families have two or more children, and rural couples whose first child is a girl are now allowed to have a second baby. Ethnic minorities – about 6 per cent of the population – also are permitted two or more children.

Newly affluent farmers frequently pay large fines for giving birth to several children until they produce a male heir.

Peng said the government would not forcibly limit family sizes.

Corruption in Aboriginal agency alleged in Australia

By Chris Sherwell in Sydney

AUSTRALIA'S opposition coalition has latched onto a second political issue quite as explosive as the Asian immigration question it raised three months ago: alleged Aboriginal corruption and nepotism within the Federal Government.

Under increasing pressure over the issue, the Labor Government headed by Mr Bob Hawke, the Prime Minister, has announced a comprehensive audit of the Aboriginal Development Commission, an all-Aboriginal body set up in 1980 to help Aboriginal people acquire land, engage in business and obtain housing finance.

The move, announced on Monday, followed accusations voiced in hearings last week of a parliamentary committee on Aboriginal affairs. One opposition MP, pursuing allegations of misuse of position and funds, spoke of the potential for a "black mafia" within the Government's Aboriginal affairs institutions.

Yesterday, in a further reaction to the government's move, the conservative Liberal and National parties said Mr Charles Perkins, the outspoken Aboriginal official who heads the federal government's Department of Aboriginal Affairs, should stand aside during the inquiry, and called for an investigation of the department itself.

Mr Gerry Hand, the beleaguered Minister for Aboriginal Affairs, has accused the opposition of engaging in a witch-hunt and taking a "cheap shot" which would have "terrible repercussions" in the country. Mr Perkins himself has angrily rejected the allegations concerning the ADC, describing them pungently as "bullshit".

The controversy is seen by the Government as a desperate attempt by the opposition to attract much-needed political support by appealing to people's base instincts – a repeat of its efforts in August, when it hinted that, in government, it might cut Asian immigration to Australia.

The dispute focuses on two broad sets of allegations to surface in the parliamentary committee's hearings. The first was contained in a letter from the Administrative and Clerical Officers Association to Mr Hand. Written a year ago, it implied there was patronage, abuse of travelling expenses and improper payments to consultants by the Aboriginal Affairs department.

The second concerned the ADC, and implied that the commission had been involved in misappropriations of funds by giving hundreds of thousands of dollars to a licensed Aboriginal club in Canberra, funding a pub in a New South Wales country town and lending Mr Perkins' daughter A$80,000 to buy a house in Sydney.

Mr Hand has confined the government inquiry to the ADC allegations because, he says, no evidence has yet been produced on any of the accusations contained in the letter. And while both he and Mr Perkins have acknowledged that mistakes have been made, they deny the existence of crookedness or of a "mafia".

The controversy is particularly embarrassing because it comes when Australia is celebrating its 200th anniversary of white settlement. Only last month the Government acknowledged in the United Nations that much was still to be done before Aborigines enjoyed conditions equal to those of the majority in Australia.

"Until the dispossession of the indigenous people has been recognised," Australia's representative said, "Australians cannot honestly face either their past or their future. Today's Australians are not responsible for the wrongs of the past. But they do have a responsibility to acknowledge the truth of the past and to redress it."

For his part, Mr Hawke spoke last year of a "compact" or treaty with the Aboriginal people, but it has yet to materialise. Vocal Aboriginal activist groups say they want land rather than a treaty. A Royal Commission is meanwhile conducting a lengthy inquiry into more than 100 Aboriginal deaths in custody over the past few years.

Saudi move on foreign workers

SAUDI ARABIA has unveiled the outline of a five-year development plan which aims to replace foreign workers with Saudis, but diplomats said yesterday the goal appeared hard to meet, Reuter reports from Bahrain.

They said the government would not find it easy to reduce the expatriate workforce. "There will be no decrease in the number of foreigners without a deterioration in services," said one diplomat. The outline of the new five-year plan, released after a cabinet meeting on Monday night, gave few details. It indicated a continued emphasis on defence spending, improvements in government efficiency, encouragement of the private sector and more regional development.

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AMERICAN NEWS

Bush fights back at resurgent Dukakis

By Lionel Barber in Washington

VICE-President George Bush, seeking to protect his lead over Governor Michael Dukakis, has seized on his rival's last-minute declaration that he is indeed a liberal.

A Republican advertisement links Mr Dukakis to unsuccessful Democratic presidential contenders Walter Mondale and George McGovern, and to the failure of the last Democratic president, Jimmy Carter, to win re-election in 1980. The advertisement asks: "Why would we want to go back to the tax-and-spend policies of eight years ago?"

The advertisement is intended to counter Governor Dukakis's attempts to cast himself in the tradition of Franklin Roosevelt and Harry Truman and energise the core constituency of the Democratic party.

It indicates that the Bush campaign is unwilling to drop its attacks on Mr Dukakis, despite some polls showing that voters are disenchanted with the negative tone of the campaign.

After dominating the television news for most of the autumn campaign, Mr Bush has found himself partially eclipsed by his rival who, at last, has begun to convince reporters that he is staging a comeback.

Whereas Mr Bush has stuck to the same tack of trashing Mr Dukakis's record on crime and questioning his views on defence, Mr Dukakis has come alive with a fiery stump speech whose latest twist is to assert the right of women to choose to have an abortion.

The comeback began last week when Mr Dukakis grabbed the chance of free interviews with network television. The Vice-President, a comfortable front-runner, declined.

However, as weekend polls showed Mr Dukakis marginally regaining ground in some key states, Mr Bush suddenly sprang an unplanned trip to Philadelphia and agreed to be interviewed on Monday night with NBC's Tom Brokaw. He also agreed separately to be questioned by his old bug-bear, the Washington Post.

In the interviews, Mr Bush said he had no regrets about attacking Mr Dukakis and said he was proud of his campaign. "You're looking at a guy that was getting pounded out there," he said referring to Democratic criticism that he was born with a silver foot in his mouth. "I think my message is getting across."

Mr Bush travelled to Notre Dame University in Indiana yesterday in an effort to woo Catholic voters.

The Republicans are also using President Reagan to give campaign speeches and exploit his popularity in California, the biggest single electoral prize with 47 electoral college votes.

Democrats learn the language of money

Lionel Barber in Washington looks at the likely returns of the US campaign funds

IF MONEY TALKS in American politics, Governor Michael Dukakis should already have one foot in the door of the White House.

Dollar for dollar, cent for cent, Mr Dukakis is matching Vice President George Bush in raising and spending money this election year, the first time in many campaigns that a Democratic presidential candidate has not found himself outgunned by his Republican rival.

The result is a bloc of state Democratic organisations which, on paper at least, looks impressive and which could make a difference in a close election next Tuesday.

In California, the richest electoral prize, Democrats intend to have in place neighbourhood captains for each of the state's 23,637 precincts in a last-minute drive to turn out the vote. The $4.5m California budget is almost as much as Walter Mondale could afford for his entire field operation in 1984.

How then, did this turnaround come about? How did the Democrats manage to match the Republicans, traditionally the party of big money and big business.

The answer in two words is "soft money", the term used for political contributions raised outside the jurisdiction of the post-Watergate laws governing the raising and spending of funds by parties in federal elections.

In theory, these laws limit individual contributions, ban corporate and labour union donations, and provide for public financing for presidential nominees, as well as for full disclosure of accounts. The aim; to prevent a recurrence of the Watergate scandal where President Nixon's re-election committee in 1971-72 secretly accumulated $22m which it then used to finance activities against its political opponents.

This year, the Democrats - just like the Republicans in 1980 and 1984 - have begun to exploit a gap in the law which allows the national parties to solicit unlimited contributions from business, labour and individuals, providing the money goes to state and local parties.

Both parties are using the soft money for activities which go way beyond the intent of the 1979 amendment in the law: the development of computerised voting lists for direct mail and canvassing, television advertisements that promote the party rather than the candidate, and even the renting of buildings, equipment and staff.

Mr Robert Farmer, the chief Democratic fund-raiser says he is concerned about the use of soft money, but he says it is time for the Democrats to play on an even field with the Republicans. And he means it.

Earlier this year, Mr Farmer - whose brilliant fund-raising operation was a major reason why Mr Dukakis won the Democratic nomination - announced he intended to raise $50m in soft money for the November election, more than eight times the amount collected by Mr Mondale. Mr Farmer is believed to be close to his target.

His success is due to an early start, and to the notion, common throughout the summer, that 1988 could be a Democratic year. The notion grew as the polls showed Vice-President Bush way behind Mr Dukakis and as the press continued to cast doubt on the resilience of Mr Bush as a candidate.

The question is whether the Democrats will get the necessary bang from their bucks on Election Day.

In the Congressional races, the Democrats look strong because they have so many incumbents running and the House of Representatives has a near built-in Democratic majority. In the Senate, too, the Democrats look well-placed because political action committees, the chief conduits of election money, were disappointed with the poor performance of Republicans in the 1986 mid-term elections. They now appear to have ditched ideology and are turning to incumbent Democrats.

In the presidential election, the key to the Democratic performance could be turn-out and here local organisation is important.

With little more than half of the registered electorate likely to vote on November 8, Democrats reckon that a low turn-out will more likely hurt their cause than the Republicans; hence the huge efforts in big states such as California and Texas to mobilise blocs of voters such as blacks and Hispanics to offset the white suburban vote which leans Republican.

Last week, Mr Dukakis met with 56 Hispanic leaders in Denver in an effort to co-ordinate turn-out. Democrats there said they were counting on 65-70 per cent of the Hispanic vote to make them competitive with Republicans.

In the mid-west industrial states, turn-out will be equally important for Mr Dukakis. In Ohio, for example, Democrats reckon they need a "very good" turnout by blacks in the Cleveland area to offset the expected heavy white Republican vote in the south in the suburbs around Columbus and Cincinnati. Again, however, questions remain about the willingness of the blacks to turn out in force for a candidate who has barely addressed them.

By contrast, Republicans are encouraged by polls which show support growing firmer for Mr Bush in the past few weeks; they intend to exploit this fully by using the computerised voting lists they have built up since 1980 when conservative activists created new pools of money for the "Grand Old Party".

The conservatives have been far less visible this year - though some fringe groups have acted as the dirty tricks brigade distributing leaflets suggesting that murderers and rapists vote for Mr Dukakis. The Bush camp has disowned them but has been anxious to keep on good terms with the right wing at state and local level - a contrast with the Democrats where state officials have regularly complained about the incompetence of the Boston headquarters.

The impression is of a smooth running Republican machine compared with a Democratic motor which has just sprung to life with a late kick-start. How they perform on the day remains unknown, but if Mr Dukakis loses it will not be for lack of money.

CAMPAIGN FINANCE LAWS

Each candidate receives:
- $46.1m in public money for the election
- $9.2m for convention costs
- $3.3m from their national committees

Each Political Action Committee can give:
- $15,000 a year to a party for spending on campaigns for national office
- unlimited "soft" contributions to a party for spending on state and local campaigns
- unlimited "independent expenditures" which do not go directly to a candidate

US CAMPAIGN '88

US leading indicators remain static

By Anthony Harris in Washington

THE US composite index of leading indicators fell 0.1 per cent in September to 193.3 (1967=100), according to preliminary estimates from the Commerce Department. The index rose 0.5 per cent in August and decreased 0.7 per cent in July.

This virtual standstill for three months, after a long run of positive though unsteady movement, confirms other signs that the US expansion is cooling off, with domestic demand weakening quite markedly. The fall in September was mainly due to the sharp fall in capital goods orders reported a week ago; some analysts say this was due to faulty seasonal adjustment.

Other signs of cooling off include a reported 0.5 per cent fall in real consumer spending in September, and a halving in the rate of employment growth since mid-year. Recent output has also been reported as flat in seasonally adjusted terms.

Order books, on the other hand, remain at record levels after 18 months of continuous increase, and inventory growth has remained very modest since early in the year. Economists are not, therefore, expecting any further marked slowing in activity.

US prepared to join copyright convention

PRESIDENT Reagan signed a bill yesterday clearing the way for the US to comply with the 102-year-old Bern Convention for the Protection of Literary and Artistic Works, AP-DJ reports from Los Angeles.

Mr Reagan said that in 1986 alone, the entertainment industry may have lost $2bn and the software industry $4bn because its copyright laws differed from those of other countries.

The Senate ratified the 76-nation treaty on October 20, but legislation changing American copyright laws was also needed before the US could become a full member of the convention.

Differences between US and other nations' copyright laws stalled ratification for decades, but many of the obstacles were removed by an overhaul of US copyright law in 1976.

Canada's Liberals overtake Tories

By David Owen in Toronto

CANADA'S opposition Liberals have moved into the lead with 20 days to go to election day.

An opinion poll by Environics Research gives the Liberals a six point lead over Prime Minister Brian Mulroney's Conservatives. The same pollsters put the parties level last week in the wake of two televised debates between the party leaders.

However, this week three polls have been published, showing respectively a six point lead for the Tories, a Conservative-Liberal dead heat, and now a six point lead for the Liberals. The latest poll gave the Liberals 37 per cent of decided voters, against 31 per cent for the Tories and 26 per cent for the New Democratic Party (NDP). Just ten days ago, Mr John Turner's Liberals appeared to be heading for an ignominious third place finish.

Most worrying for the Conservatives is the apparent erosion of the party's position in Quebec. The Tories' standing in Canada's once predominantly French-speaking province had been presumed to be secure due to support for Mr Mulroney's US-Canada free trade agreement.

Observers believe that in last week's televised debates Mr Turner - aided by Mr Ed Broadbent of the NDP - did much to persuade voters of the shortcomings of the free trade pact.

Canadian business is now expected to step up its campaign in support of the deal, pointing to developments like Monday's 1¼ cent fall in the Canadian dollar as the shape of things to come if the agreement is rejected.

Congress may act over Western loans to Moscow

By Nancy Dunne in Washington

INFLUENTIAL senators and congressmen are working on legislation which would penalise the US subsidiaries of foreign banks which make credits available to the Soviet Union.

An aide to Senator Steve Symms, an Idaho republican, said he and several other congressional aides from both houses were searching for "the best pressure points" on European and Japanese banks in an attempt to force the industrialised nations to devise a concerted strategy on Soviet lending.

In an unusual show of unity on a foreign policy issue, Congress has repeatedly urged the Administration, through non-binding resolutions and letters, to consult with its allies on the impact on Western security of Soviet lending. The issue, while drawing overwhelming bipartisan support of senators and congressmen from both right and left, has failed to win support within the Reagan Administration.

Mr Nicholas Brady, the Treasury Secretary, opposes controls on capital and "government intervention in what should be market-based decisions."

Mr Roger Robinson, former senior director of international economic affairs on the Reagan National Security Council, said the question of the West financing perestroika "has emerged as a central issue of our time."

He and several senators have likened the current spate of Soviet borrowing - an estimated $7bn-$9bn thus far this year - to the untied general purpose loans made in the last decade.

The threat to act against foreign banks first surfaced in a letter from Senator Jim Sasser, a Tennessee Democrat, after the Senate voted 96-0 last June to call on the President to consult with allied leaders on the issue at the Toronto Economic Summit. A group of House members also wrote to the President urging specific action on untied loans, but both communications were apparently ignored.

Senator Sasser asked the Administration to request a comprehensive alliance study on the impact on Western security of Soviet borrowing and warned that the Senate otherwise "will be compelled again to examine legislative measures against offending banks of alliance countries until the problem is corrected."

WORLD TRADE NEWS

URANIUM ORIGINATED IN S AFRICA

Moscow imports N-fuels from UK

By Kevin Brown in London

THE SOVIET UNION is importing significant quantities of nuclear materials produced in the UK from uranium originating in South Africa and Namibia, according to a British anti-apartheid group.

This is despite Soviet support for a United Nations ban on trade in Namibian natural resources, and separate Soviet restrictions on imports from South Africa.

The extent of the trade between the UK and the Soviet Union is documented in an analysis of UK trade statistics and Customs data prepared by the Campaign Against Uranium Contracts, part of the Namibia Support Committee.

The analysis shows that the Soviet Union is one of the leading overseas recipients of uranium hexafluoride produced by British Nuclear Fuels at its Springfields Works, near Preston in northern England.

According to the campaign, the Soviets received 1,759 tonnes of uranium hexafluoride from Britain last year, more than any other country. The trade to August this year is estimated at 946 tonnes.

The analysis was produced on behalf of the South West African People's Organisation (Swapo), which is recognised by the UN as the sole legitimate representative of the people of Namibia, formerly South West Africa.

It was designed to help Swapo put diplomatic pressure on the Soviet Union to end the trade by documenting its scale and dependence on southern African ore, and was not intended for publication.

However, BNFL and the Soviet embassy in London both confirmed that regular shipments of uranium hexafluoride are made on board Soviet ships sailing between Ellesmere Port and Riga.

BNFL produces uranium hexafluoride on behalf of commercial customers, which purchase the ore. The British Government prohibits imports of southern African uranium for civil nuclear use within the UK, but there is no restriction on processing for re-export.

The uranium hexafluoride is sent to Riga for enrichment by the Soviet organisation V/O Techsnabexport, which ships it back to the West for use as fuel in nuclear reactors.

BNFL said it was not possible to identify precisely the origin of any specific shipment of uranium hexafluoride because ores from several countries are mixed during the production process.

But the company said that between 50 per cent and 65 per cent of a typical shipment would be likely to have originated in southern Africa.

BNFL said it had not been asked by the Soviet Union for any assurances about the origin of the shipments. This was a matter for its commercial customers.

"It is not our material in the first place and the purchasing policy of the customers on that material is up to them. Any questions about concerns which the Soviets may have should be addressed to them (the customers)," BNFL said.

The Soviet embassy said it was normal practice for such assurances to be sought, because of the Soviet Union's strong support for UN policy.

"I cannot tell 100 per cent how our delegation behaved in these negotiations because this is a confidential area. But I think that our organisation followed their strict instructions," an official said.

French motor groups seek S Korean bases

Renault follows Michelin and Valeo in moves for joint ventures, writes **Paul Betts**

THE FRENCH motor industry has set its eyes on South Korea as a strategic springboard for its international expansion on both sides of the Pacific Ocean.

Michelin, the French tyre group, and Valeo, the leading French car components company, have already established themselves on the Korean market by forging industrial alliances with local manufacturers to produce tyres and components not only for the domestic Korean motor industry and other parts of South East Asia but also for the North American and other Western markets.

Renault, the French state-owned car manufacturer, is now holding talks with a Korean partner over a major joint car assembly project with the same aim of penetrating both the tightly protected South Korean car market and the North American market as well.

Although Renault has so far declined to comment on its preliminary talks with Dong-A Motor, a subsidiary of Sangyong, the South Korean industrial conglomerate, the project under consideration is understood to involve a joint car assembly plant involving overall investments of about FFr20bn (£1.86bn) and initial production capacity of about 300,000 cars a year.

The scheme, which envisages the assembly in South Korea of a version of Renault's new R19 medium-sized saloon, would mark the first major association between a South Korean motor group with a large European car maker at a time when American and Japanese car makers have already forged ties with Korean producers. These include the links between Mitsubishi and Hyundai, General Motors and Daewoo, and Ford and Mazda with Kai.

The talks with Dong-A Motor reflect the more aggressive approach to international expansion which Renault is now adopting again after the last few years of heavy restructuring and retrenchment around its core European car businesses. This included Renault's decision to pull out of the US market last year with the sale of its controlling interest in American Motor Corporation (AMC) to Chrysler.

But Renault is now reaping the fruits of its restructuring and expects to report net profits of about FFr6bn this year. In turn, this has put Renault in a strong position again to negotiate major international alliances with other car groups and seek new international market opportunities.

But Renault's interest in South Korea and the Far Eastern market also coincides with Japan's increasing efforts to penetrate the heavily protected domestic French car market. Both Renault and Peugeot, the French private car group, have been lobbying vigorously in recent months against any relaxation in France's 3 per cent annual quota on Japanese car imports unless they are given reciprocal access to the Japanese market.

This has now led to a major controversy between France and Britain over the export to the French market of UK-built Nissan cars. The French government and the domestic car producers have been insisting on at least 80 per cent local European content for the UK-built Japanese cars to qualify as "European" cars, while Britain has argued that 60 per cent was sufficient for the cars not to be included in the French quota on Japanese imports.

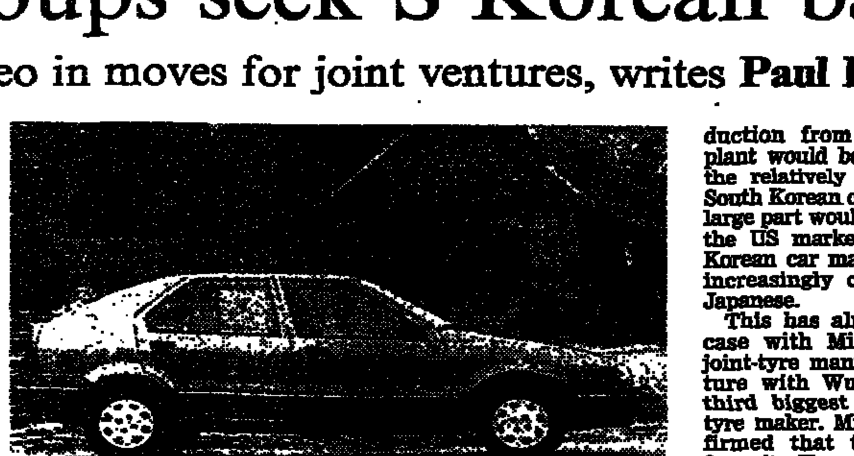
The proposed South Korean car venture could clearly help strengthen the French state group's hand in its efforts to penetrate Far Eastern markets and compete against the Japanese on their home turf. Even though the Korean motor industry was shaken this year by strikes and large new pay awards, labour costs in the Korean car industry continue to remain extremely attractive and competitive compared with those in Europe. The proposed venture could also provide Renault with a strategic base to prepare its return to the US market.

Indeed, only part of the production from the projected plant would be earmarked for the relatively small domestic South Korean car market and a large part would be exported to the US market, where South Korean car manufacturers are increasingly challenging the Japanese.

This has already been the case with Michelin and its joint-tyre manufacturing venture with Wuon Poong, the third biggest South Korean tyre maker. Michelin has confirmed that the production from its Korean joint venture is now fully integrated into its global industrial and marketing system.

In addition to serving the local market, output from the Korean tyre plant has also been shipped to other parts

Valeo, France's biggest car components group which is under the management control of Mr Carlo De Benedetti, the Italian businessman, appears to have adopted a similar approach to the Korean market. Six months ago the company established a joint venture with Pyeong Hwa, the South Korean car components manufacturer, to produce clutches. Pyeong Hwa is currently the leading clutch supplier to Hyundai and Daewoo. But Valeo has already strongly hinted that it intends to use its new South Korean base to feed the North American market.



The Renault 19: soon to be built in South Korea?

E Berlin plans 1-megabit chip

By Our World Trade Editor

EAST GERMANY is preparing to start producing large 1-megabit memory chips, Dr Klaus Stubenrauch, State Secretary in the Ministry of Science and Technology, said in London.

Speaking at the start of an East German technical trade mission to the UK, Dr Stubenrauch said his country had created "the prerequisites" for the production of 1-megabit memories.

It had also this year started large-scale production of 256-kilobit memories.

Western businessmen believe the development of 1-megabit capacity could narrow East Germany's technological gap with the West, although they added that Japan is expecting to start large-scale production of 4-megabit chips next year and it is still unclear when and in what quantity East Germany will start producing the larger chips.

According to Western businessmen, East German memory chip production still appears to suffer from a high fall-out rate of flawed product.

Dr Stubenrauch told an audience of UK businessmen that in the first half of this year, East Germany's computing capacity was enlarged through the production of more than 27,000 desk-top personal and office computers. At present, 57,000 CAD/CAM systems were in operation.

E Germany to avoid new borrowing to finance imports

By Peter Montagnon, World Trade Editor

EAST GERMANY does not intend to follow the example of its Comecon trading partners and step up its borrowings from the West to finance imports, Mr Gerhard Beil, Trade Minister said in London.

Our policy remains one of balanced trade, he said in a rare interview with a Western newspaper. East German imports from the West would rise only insofar as it was also able to sell more goods especially in the engineering, electric engineering and electronic sectors

"We shall stick to this principle because in the long term it ensures a stable and continuous economic development."

Though his remarks will be no surprise to businessmen who have followed East Germany's tight debt management in the 1980s, they come as the Soviet Union, in an apparent change of tack, has been arranging large bilateral credits with its Western trading partners in an effort to finance imports to modernise.

Mr Beil did, however, indicate a desire on the part of East Germany to step up its trade with EC countries other than West Germany in order to achieve a better geographical spread. He ferociously denied the common assumption in Europe that East Germany regards its special relationship with West Germany as a back-door way in to EC markets.

Two way trade between the two Germanies amounted to an estimated DM15bn (£4.79bn) last year. This was out of proportion to two-way trade between East Germany and the UK which amounted to just £1bn even after taking account of raw material purchases through London commodity markets, he said.

Current efforts by East Germany to negotiate a trade agreement with the EC were "the logical consequence" of the establishment of official relations with the EC earlier this year, he said.

"Our aim is to agree favourable and mutually advantageous conditions for trade with EC countries, to reduce barriers and better to exploit the potential on both sides for trade promotion and expansion."

There was great uncertainty over market conditions for outside countries in the single European market planned for 1992. "I cannot conceal the fact that there is concern, above all among economists who fear trade barriers against (our) exports will increase after 1992."

Mr Beil declined to say why, in contrast to other Comecon states, East Germany had shown little interest in joint ventures with Western companies. Asked why it also appeared uninterested in decentralising its foreign trade, he pointed to the high degree of management responsibility residing in its state enterprises which also covered foreign trade activity.

Taiwanese textile makers plan protest

By Bob King in Taipei

TAIWAN'S TEXTILE manufacturers, already hard hit by rising labour costs and an appreciation of more than 40 per cent in the local currency over the past three years, are planning to descend next week on the Central Bank, parliament, and the unofficial US "embassy" to protest against a resumed rise in the Taiwan dollar.

Mr Michael Chang, deputy general secretary of the Taiwan Textile Federation, said he expects as many as 1,000 people to turn out for a march on November 8 to protest "inappropriate accusations of manipulating the exchange rate" made in a report by the US Treasury last week.

Part of the report, which dealt mainly with trading practices, alleged the governments of both Taiwan and South Korea have been manipulating the value of their currencies against the US dollar to keep them artificially low. They fear the US will pressure Taipei to push the value of the local currency even higher.

According to the Federation, in yardage terms Taiwan's exports of textiles and garments fell by 19 per cent during the first three quarters of this year. In September alone, month-on-month, total textile exports dropped by 26 per cent, while those of garments alone dropped by 29 per cent.

As further evidence of the currency's effect on the industry, Mr Chang cited two of the island's top sweater makers. Both have announced they will shut down because their products can no longer compete at the current exchange rate.

The 300TE Petrol 0-62mph 8.8 seconds, top speed 130mph manufacturers figures. 250TD Diesel [illegible] mpg in urban cycle, [illegible] mpg at constant 56mph and [illegible] mpg at 75mph

An estate for the family. A Mercedes-Benz for you.

Should you buy the car you want or the car you need? Do your aspirations incline you towards a quality car that's rewarding to drive, prestigious and built to the highest standards of engineering, from engine block to door handle? Or are you constantly reminded you need a practical car with more seats, more space, that's easy to drive and easy to park in a busy shopping precinct? At first it may seem difficult to comprehend how the T-series can encompass virtues associated with not only a luxury car but also a functional estate. Difficult, that is, until you remember it is first of all a Mercedes-Benz.

Unlike most estate cars, driving a T-series is not akin to pushing a shoebox against the wind. Its slippery shape is devoid of unnecessary adornment and the lack of wind noise is self-evident as it accelerates with smooth, effortless energy to reach its cruising speed in a matter of seconds.

Only the cavernous loadspace in the rear will remind the T-series driver that it is indeed an estate car. With the rear seat folded down, over six feet of fully usable flat-floored space is provided.

And even with the loadspace completely occupied, the multi-link rear suspension system, incorporating a self-levelling device, maintains the car's composure and results in a relentlessly sure grip and smooth ride.

Versatility In Numbers

There are five models in the range. Top performers are the three litre 300TE and the new 300TE 4-matic (which has the sophisticated Mercedes-Benz automatically engaging four-wheel-drive system). Their six cylinder 188 DIN/hp power units deliver lively acceleration and high top speed. While at low speeds they can draw on massive reserves of torque which reaches a maximum of 191 lb/ft.

The 230TE is no slouch either. Its 2.3 litre single ohc, fuel injected, four cylinder engine makes it much sought after, as is the four cylinder 2 litre 200T. The most economical T-series is the one that doesn't use petrol at all. The diesel powered 250TD has an engine so refined the uninitiated might not even be able to tell it's a diesel.

All share a range of safety features invented by Mercedes-Benz, not least of which are the energy absorbing crumple zones with rigid passenger safety cell and electronic seat-belt tensioners for front seats.

Practically Back To Front

You expect an estate car to be versatile but how versatile should you expect a Mercedes-Benz to be? The T-series will not disappoint you. It is a car that has a generous amount of everything you need: loads of space and long-distance comfort; a full measure of driving enjoyment and exclusive features. Example: the large, wide-opening tailgate glides on two gas-filled struts and is assisted by an ingenious electro-mechanical mechanism that moves the lowered tailgate to a fully closed position and locks it without slamming.

The front passenger seat fully reclines and the rear seat divides so that both or either of the two sections can be folded forward. This provides five different variations for small loads, big loads and awkward shapes.

With the optional, rear-facing, third row of seats, there is accommodation for up to five adults and two children. So while you drive around in your estate, the rest of the family sit in the luxury of a Mercedes-Benz.

Engineered Like No Other Car In The World.

Five year delay in Whitehall's plans for defence

By David White, Defence Correspondent

IDEAS for updating the armed forces' handling of stores along US lines have been under discussion for more than five years.

This bureaucratic saga is chronicled in an audit report by Mr John Bourn, the Comptroller and Auditor General, head of the House of Commons public spending watchdog.

The report criticises the MoD's record in improving stocktaking procedures in the three armed services, which have total stores valued at over £13bn.

In 1983, the report relates, the UK Ministry's Defence Supply Sub-Committee invited proposals on how it should monitor "new initiatives" such as bar-coding, introduced by the US in 1981.

In May 1985 a working group reported to the Defence Supply Sub-Committee that the US experience was successful.

But a year and a half later, in October 1986, because of "an apparent dispute" between two ministry branches, the Defence Supply Sub-Committee decided to ask the Defence Storage and Materials Handling Working Group to report.

Reporting back the following month, a working group advised that the two Ministry branches were still best placed to discuss the issue.

Then in February 1987, the Defence Supply Sub-Committee came to the decision that one of the ministry branches, the Director General Information Technology Systems, should take the lead and that one of its own sub-committees, should examine the proposal.

This committee set up a Supply Bar-Coding Working Party in April last year, but in November the Defence Supply Sub-Committee decided the Working Party was "under-resourced and under-powered" for the task.

So the work was re-allocated and is still being discussed.

The Ministry of Defence said yesterday the Government would make its reply "in due course."

Cross-border mergers, purchases 'to top $100bn'

By Nikki Tait

CROSS-BORDER merger and acquisition activity is set to top $100bn during 1988, and the figure could rise to $115bn in 1989, according to KPMG, the international accountancy firm.

Through its "Deal Watch" system, launched yesterday, KPMG intends to monitor all published cross-border deals, both by quoted and private companies. The figures, to be published quarterly, will be one of the first attempts to assess the level of international bids and deals business.

The accountants have already totted up figures for the year to end-June 1988. During this period, they found that the UK headed the list of countries making purchases abroad – both in terms of the number of deals, 665, and the value, which amounted to $34bn. The US was second with 65 deals worth a total of $4.7bn.

In terms of sales, the positions are reversed, with the number of US sales put at 450 and the value at $51.2bn, followed by the UK with 130 and $13.5bn.

KPMG concedes that the monitoring of private company deals is not always easy, but claims that by value if not precise numbers, its figures are a good guide.

Looking at the year to end-June overall, the figures show the European Community, Japan and Switzerland as net buyers and North America as a net seller. Australia, having been a net buyer in the first part of the period, became a net seller after the October stock market crash. Total activity in this period is put at about $83.3bn.

Long haul ahead for the railway revival

Kevin Brown on plans to switch traffic from roads to rails

NEIL KINNOCK, the UK Labour opposition leader, must have struck a chord with many motorists earlier this week when he called for a huge shift of passengers and freight traffic to the railways to ease congestion on the roads.

Mr Kinnock's remarks reflected a widespread feeling that the rail network is being under-used, and that much freight, in particular, could easily be moved on to rail.

But, while railways have a major part to play in the special circumstances of crowded city centres, the rail system has now declined so far that it would take many years for growth to have a major impact on road congestion even taking into account the Channel tunnel.

The railway sector's share of UK passenger transport has more than halved over the last 30 years.

Over the same period, the overall passenger market has expanded by 127 per cent, and the freight market by 105 per cent. The inevitable result has been a huge increase in traffic moving by road, to the point where traffic jams have become a daily hazard, especially in the south-east.

The railways sector – principally BR – lost market share after the Second World War because it failed to adapt to fundamental changes in the market.

The cuts of the 1960s, which followed the influential report of Robert Beeching, were only the worst example of a series of government decisions.

There were some successes, notably the electrification of the West Coast line from London to Glasgow and the successful introduction of the High Speed Train – still the world's fastest diesel service – on the east coast main line to Edinburgh.

But as professor Philip Bagwell of the Central London Polytechnic, author of *The Transport Revolution*, points out, funds for railway investment have always been hard to come by.

"Successive governments have been much more willing to spend money on the roads than on the railways, which they have seen as a burden on expenditure, rather than as a part of the transport infrastructure and a service to industry and the public," he says.

BR's fortunes have revived somewhat in the past few years, partly as a result of faster economic growth at a time of increasing road congestion, and partly because of management changes and better marketing following the appointment of Sir Robert Reid as chairman in 1983.

In particular, the creation of five businesses sectors – InterCity, Network SouthEast, Provincial, Freight and Parcels – has helped BR transform itself into a customer-driven organisation with much greater control of costs.

In decline: Britain's railways are capturing less and less of the passenger and freight markets despite traffic jams

Demand topped 20m passenger miles for the first time for many years last year, and freight recovered to 17.3bn tonne kilometres – roughly the 1983 level – from its nadir of 12.7bn in the miners' strike year of 1984.

However, this is not an indication of greater Government willingness to provide investment funds; the programme is funded entirely from BR's internal resources, principally property sales.

The financial pressures on BR are greater than ever, as the Government squeezes its operating subsidies, currently being cut by 25 per cent by 1990.

In the long-term, the Government wants to wash its hands of the BR problem through privatisation, and is examining four schemes:

- BR plc, the option favoured by the BR board, which would protect the integrity of the network, but would not increase competition.
- The separate sale of the business sectors, thought to be favoured principally by InterCity management, which would introduce an element of competition.
- Creation of a track authority, which would sell space to competing companies. This option is being pressed by the right-wing Adam Smith Institute.
- A return to regional companies competing against each other with a full range of services. This proposal emanates from the Centre for Policy Studies.

The last two options have found some support in Whitehall, and among free market academics, such as Professor John Hibbs of the Central Birmingham Polytechnic, who think that competition might lead to an influx of fresh capital and a spate of new lines.

But most railway professionals think they would be unworkable. The Central Transport Consultative Committee, the statutory railway watchdog, has dismissed the CPS proposals as a "fantasy."

The timetable for privatisation is not clear, but it is unlikely to happen before 1993.

Mr Martin Higginson, senior lecturer in transport at London's Birkbeck College, points out that the passenger services now have such a small share of the market that many years of steady growth would be required to offer any relief to the road system.

"For the most part, the passenger services are used fairly efficiently, but even if you could raise the present 7 per cent share of the market by 50 per cent you would not really be making much impact," Mr Higginson says.

There is more scope on the freight side, where the economies of scale offered by railway operations are clearly under utilised. But the railway's improved performance of the last three years is still being outpaced by road – while BR was moving from 12.7bn tonne kilometres to 17.3bn, movements by road increased from 100.3bn to 113.3bn.

The conclusion drawn by many academics is that BR will be doing well over the next decade or so if it merely stops the decline in its market share. There is not much genuine hope of a significant rail-

Computer groups' 1992 warning

By Alan Cane

PERSONAL computer companies seeking success in the single European market after 1992 will have to have a firm foothold in each Community member state, delegates to a Financial Times conference were told yesterday.

Speaking on the final day of the conference, Professional Personal Computers in the '90s, Mr Franz Hetzenauer, president of the Dutch manufacturer Tulip Computers, warned that it would be a serious mistake for computer manufacturers to assume that, because they were already part of an international industry, there would be few changes in their markets after 1992 and no need for them to make preparations.

"Only those organisations operating throughout the whole of Europe will be able to meet the requirements of all European customers" he said.

Emotional, cultural and business differences would continue to exist between the member states after 1992 and it was essential to establish local organisations with local managers able to adapt the company to local conditions.

Mr Hetzenauer also warned that small and medium-sized companies might face tough competition from US and Japanese organisations more used to dealing in a mass market.

While the first day of the conference had dwelt on the conflict over emerging PC designs, delegates to the second day heard the arguments for "open" systems which would make it possible to move applications software easily from one make of machine to another and connect systems together into networks.

Mr Alex Osadzinski, European product marketing director for Sun Microsystems, the fastest growing US computer company and a leading proponent of open systems, said the industry was going through a periodic convulsion.

Wool textile industry set for record export year

By Alice Rawsthorn

THE WOOL textile industry has succeeded in sustaining its growth in overseas sales and is set for a record export year despite sterling's continued strength.

The National Wool Textile Export Corporation's latest figures show that the industry's exports rose to £42m in August, up more than 20 per cent over the same month last year.

This brings the value of wool textile exports in the first eight months of 1988 to nearly £410. Mr Geoffrey Richardson, director of the corporation, says that "unless something unusual occurs" the industry is almost certain to surpass the export record of £607m set in 1985.

The strength of the pound has made it more difficult for many exporting wool textile companies to compete in overseas markets like the US, where the problems raised by the strong pound are compounded by a weak domestic currency.

However, exports to Europe have remained resilient and the Japanese market is still buoyant.

RTZ cuts 328 jobs at Capper Pass

RTZ Corporation's Capper Pass tin smelter in Humberside is to cut output by half and make 328 of the 808 employees redundant as a result of the international tin crisis. The management announcement made it clear that the long-term future of the smelter is still in doubt.

Nuclear inquiry

THE UK Inspector conducting an inquiry into plans for the Hinkley Point C nuclear power station in Somerset yesterday rejected a request for the hearing to be suspended. Objectors called for the adjournment in the light of the Government's postponement of plans for a new coal-fired power station at Fawley in Hampshire.

Time plan for EC

UK Ministers are considering testing the views of the British public on harmonising UK time with the rest of the EC, where clocks are an hour ahead. The Home Office said there was a "flavour for change".

Lawyers protest

NORTHERN Ireland's Law Society, representing 2,000 solicitors, has protested to the UK Government about its controversial move to change the law on the right to silence calling it an extension of police powers.

UK ahead in trading

UK companies are switching to paperless trading techniques faster than businesses anywhere else in the world outside the US, Mr Eric Forth, Parliamentary Under Secretary for Industry and Commerce, said yesterday.

Doctors on film

THE UK National Health Service yesterday launched a video showing doctors at Guy's Hospital, London, at work – as managers. It will be shown throughout the NHS as part of an exercise to involve doctors, nurses and other health care professionals in management.

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● Spending planning total unchanged at £167.1bn ● Inflation to top 6% by end of year ● Growth to fall from 4.5% this year to 3% next

Tories cheer forecast of surplus

By Philip Stephens and Michael Cassell

THE combination in the Autumn Statement of large increases for the health budget and a forecast of a £10bn public sector surplus won Mr Nigel Lawson, the Chancellor of the Exchequer, a warm reception from Conservative MPs.

Party managers believed last night that the statement would defuse a planned revolt among members over the Government's planned introduction of new charges for teeth and and eye checks-ups. Both Mrs Margaret Thatcher, the Prime Minister, and Mr Kenneth Clarke, the Health Minister, warned the rebel members that they were determined to force through the charges.

Mr Lawson, who signalled that the Government would stick to its plans for further cuts in income tax rates, succeeded in persuading most of his supporters that he will be able to engineer a "soft landing" for the economy.

The opposition Labour Party, however, vigorously attacked the Government's decision to stick with its planned spending total of £167bn next year despite the sharp rise in the inflation rate. Mr Gordon Brown, labour's Treasury spokesman, said that this represented a real cut in public services.

Mr Lawson was cheered from his own benches in the House of Commons chamber when he said that success in reducing unemployment and in promoting the council house sales had freed billions of pounds for other programmes, particularly the health service.

Mr Terence Higgins, the chairman of the Treasury and Civil Service Committee, summed up the supportive mood when he said that the Chancellor had proved again that he could combine increased tax cuts with a rising budget surplus and higher spending on essential services.

Mr John Major, the Chief Secretary to the Treasury, also won a stream of plaudits from the Conservative side for his skill in the spending negotiations. The general view was that he had further enhanced his already strong reputation a star performer.

Some rumblings of concern came from Mr Lawson's admission that the current account deficit will shrink only slightly next year and that inflation will remain relatively high. Mr John Biffen, the former leader of the House of Commons, was among a number of Conservative MPs who interpreted the forecast as a signal that interest rates will stay high for much of next year.

The trade deficit, and the Government's refusal to raise the overall level of public spending to take account of higher inflation, provided the main focus of a rather muted attack by the Labour party. Mr Brown said that the Statement "compounds rather than corrects the mistakes of the last Budget."

The Chancellor would not be drawn on the scope for tax cuts next year but he told journalists that he was sticking to his medium term aim of achieving a 20p basic rate of tax when it "prudent" to do so. Fiscal policy was now "exceptionally tight". The Chancellor reduced the basic rate by 2p in the pound to 25p last March.

Mrs Thatcher led the Government's defence of its plan to impose charges for eye tests and dental check-ups by telling MPs that most people were "very willing" to pay small charges for examinations and would be "quite put out" if they were not allowed to.

She said the proposed charges – which are intended to raise £135m in a full year – represented very small sums which people could well afford and which they realised could contribute towards improvements in other NHS services and in reducing waiting lists.

With up to 60 Tory MPs threatening to vote against the Government, Mr Kenneth Clarke, the Health Secretary, described the additional funds for his department disclosed in the autumn statement as a "spectacular boost."

Defending the proposed dental inspection charge of £3.15p, Mr Clarke told MPs that if they voted it down, the £49m in lost revenue would have to be recovered from elsewhere within the health budget.

The minister denied suggestions from some Tory MP's that the move could herald the introduction of charges for other medical checks and rejected claims that the introduction or raising of health charges had ever led to a sustained decline in level of treatment.

Mr Robin Cook, the shadow health secretary, said the charge proposals were "friendless" and had been greeted with widespread condemnation throughout the medical profession.

During debate on the Statement, the Chancellor assured the Commons last night when he dismissed forecasts from the Opposition benches that there are stormy times ahead for the economy.

Mr Brown, however, claimed that the statement had compounded rather than corrected the errors of his March Budget and that the economy was ill-equipped and ill-prepared for the challenges of the 1990s.

His charges were reinforced by Mr Alan Beith for the Social and Liberal Democrats who warned that with no significant reduction in the balance of payments current account deficit likely for "so far as the eye can see" there was a danger of a sterling crisis.

While the Chancellor's critics seized on his admission that the current account deficit is likely to remain as high as £11bn in 1989, he underlined the attractiveness of the UK, with its political stability and sound economy, for the mobile international funds seeking a home.

He said the current account deficit would, in due course, "diminish quite significantly".

Meanwhile, said Mr Lawson, as the signals coming from the markets showed "there is complete confidence in this country and no problem whatever in financing the deficit that we have".

He reaffirmed that interest rates would be kept at whatever level was necessary to maintain downward pressure on inflation but did not respond to a suggestion that the forecast of a further increase next year implied that the annual rate might reach 8 per cent.

THE MAIN POINTS

SPENDING: Public spending planning total in 1989-90 set at £167.1bn, unchanged from previous plan. Planning total for current 1988-89 financial year down £3.3bn to £153.6bn. New target for 1990-91 is £179.4bn, up £3.3bn from £176.1bn total set last year; first projection for 1991-92 put at £191.6bn. Overall spending, including debt interest, will now fall 0.75 per cent in real terms this year. It will rise by 2 per cent in real terms in 1989-90 and by 2.2 per cent and 2.3 per cent respectively in each of the two following years.

OUTPUT: Real 3 per cent growth expected in 1989 after 4.5 per cent this year. Manufacturing output to rise by 4.5 per cent in 1989, after 7 per cent growth rate in 1988.

BALANCE OF PAYMENTS: Current account expected to show 1989 deficit of £11bn after £13bn shortfall this year.

SURPLUS: Budget surplus target for 1988-89 financial year set at £9.8bn, up from £3.2bn forecast in the Budget.

HEALTH: Spending on health and personal social services to total £23.3bn, £24.4bn, £25.4bn respectively in each of next three financial years. Resources available for health spending alone to rise a real 4.5 per cent next year.

SOCIAL SECURITY: Spending on Social Security payments to total £51bn; £55.3bn and £58.7bn respectively.

DEFENCE: Defence outlays set to rise to £20.1bn in 1989-90 from £19.3bn this year and rise further to £21.2bn in 1990-91 and £22.1bn in 1991-92. But in real terms, spending drops 3.7 per cent this year and 1 per cent in 1989-90, increasing marginally thereafter.

UNEMPLOYMENT: Expected to fall, but no specific forecast. Government actuary assumes adult unemployment in Great Britain will fall from average 2.1m this financial year to 1.9m next.

The Statement and the Budget

The British Government separates decisions concerning public expenditure and taxation into two separate reports, both of which are presented to Parliament by the Chancellor of the Exchequer, Mr Nigel Lawson (pictured above on his way to the House of Commons yesterday).

The Autumn Statement, released yesterday, covers expenditure, while the Budget, which is usually presented in the early spring, covers taxation.

Both the Autumn Statement and the Budget set out the Treasury's forecast of the economy for the year ahead and its latest estimates of growth for the current year. They are regarded as the most authoritative forecasts of the UK economy.

Details and analysis of the Statement are found in the following five pages.

Spending controls welcomed but the forecasts doubted

By Ralph Atkins and Simon Holberton

THE TREASURY'S control of public spending was greeted favourably by financial markets but its forecasts for the year ahead were thought to be on the optimistic side of credible, City analysts said after yesterday's Autumn Economic Statement.

Share prices and sterling both strengthening slightly in what was described as a calm reaction to Mr Nigel Lawson, the Chancellor's, Commons speech.

City analysts said Mr Lawson was positive about the outlook, suggesting a "soft landing" for the UK economy in 1989.

His speech was also seen as cautious, suggesting interest rates and the pound will remain high for some time.

Financial markets were encouraged by the Treasury's clear victory over spending departments for the 1989 financial year.

Most analysts had expected public spending in the next year to overshoot the £167.1bn planning total by up to £3bn.

However, the spending totals pencilled in for future years was seen as laying the foundation for possible largess in the run up to the next general election.

Mr Gavyn Davies, chief UK economist at Goldman Sachs, said the forecasts were based on the most optimistic outlook for the economy, but that interest rates may well have to go higher if the expected slow-down in domestic demand was to be achieved.

He said that despite the forecast pick-up in trade and the continued buoyancy in domestic activity, it was difficult to see how inflation could fall in the way assumed by the Treasury.

Mr Ian Harwood, economist at Warburg Securities, said Mr Lawson's statement would help boost confidence in financial markets.

"It was cautious but he said the right things – a soft landing, public spending and inflation under control. He didn't say anything about exchange rates but I think people have got the message about that."

However, Mr Steven Bell, chief economist at Morgan Grenfell, criticised the Chancellor for "taking risks" with the British economy.

He said the Autumn Statement indicated that the Chancellor was intent on tax cuts in the next Budget, possibly up to £3bn.

He added that he was risking the development of a wage-generated inflation spiral.

Mr Richard Jeffrey, of Hoare Govett, said that the statement contained the implicit warning "that if growth does not slow to the 3 per cent that he is forecasting, he will be forced to tighten policy further to avoid overheating in the economy."

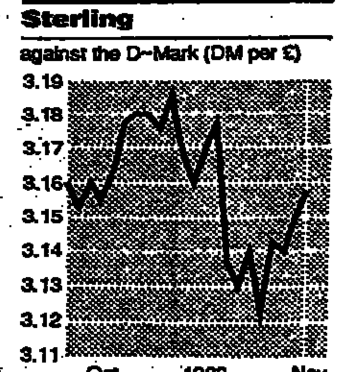
Mr Stephen Hannah, economist at County Natwest, said: "Given that he has confirmed first that inflation remains very high, and second that the current account deficit is very large, it emphasises that there is no scope for the relaxation of monetary policy.

One dealer at a UK bank said: "People were long of sterling. The market had geared itself up for a direct comment on interest rates and it was a bit disappointed."

Dealers said the Chancellor's comments were more or less what they had expected.

Sterling

against the D-Mark (DM per £)



Chancellor's £2.2bn can fund expansion in hospital services

By Alan Pike

SOME expansion in hard-pressed hospital services is in prospect as a result of a £2.2bn increase in health spending next year announced in the Chancellor's autumn statement.

Mr Kenneth Clarke, Health Secretary, should now be assured a relatively calm financial climate in which to introduce the Government's proposed changes to the NHS. These will be unveiled in a White Paper in the new year following a high-level ministerial review which has been in progress throughout this year.

The bulk of the extra resources will go to the health service in England – an additional £1.6bn, or nearly £1.8bn if money which health authorities are expected to raise from efficiency savings and income generation schemes is included.

In addition the Government Actuary has recommended a reduction in employers' superannuation contributions in the health service which will save nearly £300m a year. Health authorities will be allowed to retain the savings.

The National Association of Health Authorities calculated last night that about £350m will be available for the development of services to patients. But it warned that this would rapidly diminish if inflation next year exceeded the Government's estimates.

Mr Clarke said yesterday's announcement meant that "the resources available for health are growing much faster than overall public expenditure and faster than the growth in the economy as a whole."

He stressed that the increases were in addition to Government funding of the nurses' pay award. But he said the extra money did not mean there could be any let-up in the drive to make the NHS more efficient.

"I am determined to ensure that this new money is used for the benefit of patients. No-one in the NHS should believe that the new funds can be used to avoid difficult decisions or to relax in the search for greater efficiency and cost improvement."

Mr Robin Cook, Shadow Health Secretary, said the announcement showed how successful the Opposition had been in keeping health high on the political agenda. The Government had produced a budget for the NHS which kept pace with inflation and demographic change, but there was still a need for it to return some of the money which it had "siphoned out of the NHS over the past six years."

Kenneth Clarke: Calm financial climate in prospect

Tom Lynch adds: The recent pay award to nurses was "the best deal they have ever had," Mr Kenneth Clarke, the Health Secretary, said in the Commons yesterday.

He told MPs at Question Time that the award was worth an average of 17.7 per cent to nurses and insisted that the Government had honoured its commitment to fund the pay award and regrading exercise in full. There was "no reason whatever" for services to patients to be affected by the award.

He rejected criticism of the handling of the grading of hospital sisters, insisting that three-quarters of them would be on the higher of the two relevant grades. He accused the health union Cohse of attempting to exploit dissatisfaction among some of those on the lower grade, in spite of having agreed to the regrading exercise.

Mr Clarke was pressed by Tory backbenchers on the need for regional pay differentials to reflect the difficulty of recruiting and retaining staff in some areas, especially the south-east. He told them common sense dictated that local difficulties would be reflected in future pay negotiations.

The minister said a white paper setting out the results of the Government's review of the National Health Service would be published in the new year – a few months later than originally expected.

He refused to be drawn on the contents of the review, but denied Labour claims that he was running down the NHS to encourage a growth in private medicine.

The full text of the speech by Mr Nigel Lawson, Chancellor of the Exchequer

Lawson predicts soft landing for UK economy

In his autumn economic statement yesterday, Mr Nigel Lawson, the Chancellor of the Exchequer, told the House

With permission, Mr Speaker, I should like to make a statement.

Cabinet today agreed the Government's public expenditure plans for the next three years. I am therefore taking the earliest opportunity of informing the House of the contents of the Autumn Statement: that is, the public expenditure plans for the next three years, and the expected outturn for this year; proposals for national insurance contributions for 1989-90; and the forecast of economic prospects for 1989 required by the 1975 Industry Act.

The main public expenditure figures, together with the full text of the economic forecast, will be available from the Vote Office as soon as I have sat down. They will also appear in the printed Autumn Statement, which will be published next Tuesday.

I turn first to public expenditure.

For the current financial year, 1988-89, the public expenditure planning total now looks likely to amount to some £153½bn, or some £3¼bn less than was allowed for in the last Public Expenditure White Paper. In other words, only around £¼bn of the £3½bn reserve I provided for is in fact likely to be needed.

The main reasons for this shortfall are an extra £1bn in privatisation proceeds, a reduction in social security spending of almost £1bn as a direct result of the sharper-than-expected fall in unemployment, and a saving of some £¾bn, largely due to extra housing receipts under the right-to-buy programme.

Taken together with the strong growth in the economy this year, and the containment of debt interest now that the Budget is in surplus, this means that total public spending this year, even excluding privatisation proceeds, will be less than 40 per cent of national income – the first time this has happened for over 20 years.

Not so long ago, the share of national income spent by the state seemed to rise inexorably. Over the past six years, that trend has been decisively reversed.

Since 1982-83, public expenditure, excluding privatisation proceeds, expressed as a share of national income has fallen by 7 percentage points – the largest and longest sustained fall since the wartime economy was unwound.

Over the whole decade since this Government first took office, from 1978-79 to 1988-89, public expenditure has grown by under 1½ per cent a year in real terms. This is exactly half the rate at which it grew over the whole of the immediately preceding decade.

Looking ahead, Cabinet agreed in July that public spending over the next three years should keep as close as possible to the existing planning totals, and should continue to fall as a share of national income. The plans I am about to announce meet both those objectives.

For 1989-90, the planning total published in the last Public Expenditure White Paper was £167bn. It will remain at £167bn. This important outcome has been made possible, despite the many claims for increased public spending, by a rigorous reassessment of priorities, coupled with the continuation of two of the factors that have contributed to this year's shortfall: benefit savings from lower unemployment and increased receipts from council house sales.

For 1990-91, however, though these two factors will persist, the planning total has been set at £179¼bn, some £3¼bn ore than the previously published figure. For 1991-92, the planning total has been set at £191½bn.

These totals include the same level of reserves as in last year's plans; that is to say £3½bn in the first year, £7bn in the second year, and £10½bn in the third. They also incorporate an unchanged estimate of privatisation proceeds of £5bn a year.

Over the three survey years as a whole, the real growth in spending on programmes will be over 3 per cent a year. This can be afforded only because of the fall in the burden of debt interest brought about by the dramatic improvement in the Government's finances from Budget deficit to Budget surplus.

As a result, overall public spending, excluding privatisation proceeds will rise by less than 2 per cent a year, well within the prospective growth of the economy as a whole. In other words, total public spending, excluding privatisation proceeds, will continue to decline as a proportion of national income.

But, at the same time, substantial additional funds have been made available for the Government's most important public expenditure priorities. The figures I am about to give all represent increases over the plans in the last Public Expenditure White Paper.

First, health. An extra £1¼bn is being provided for the National Health Service in England in 1989-90, and an extra £1½bn in the following year. There will be corresponding increases in Scotland, Wales, and Northern Ireland. On top of that, health authorities are expected to receive an extra £100m a year from sales of surplus land.

Continuing the rate of cost improvement savings achieved in recent years will produce an extra £150m in 1989-90 and an extra £300m the following year. In addition, the Government is accepting the recommendation of the Government Actuary, in a report published today, that NHS employers' superannuation contributions in England and Wales should be reduced, which will save the health service a further £300m a year.

In total, the increases for the health service in the UK as a whole will be over £2½bn in 1989-90 and over £2⅔bn in 1990-91. These are by far the largest increases the health service has ever received. Comparing next year with this year, the increase in real resources for the NHS should amount to some 4½ per cent.

Second, roads. An extra £220m is being provided next year for building and repairing motorways and trunk roads, and for strengthening bridges, with a further £250m the following year.

Third, housing. Gross provision for public sector housing investment is being increased by around £440m in 1989-90 and £340m the following year. But thanks to the success of the Government's right-to-buy policy, this is more than financed by extra receipts.

Fourth, law and order. An extra £290m has been made available in 1989-90 and £430m in 1990-91, principally for a further expansion in the prison building programme. This will provide a further 3,000 places by 1991-92. Provision for local authority spending on the police has been increased by £240m.

Defence spending is to be increased by £150m in 1989-90 and £600m in 1990-91. These significant increases are designed to provide a firm framework for the next three years within which our defence programme can be planned with confidence.

So far as the massive social security budget is concerned, lower unemployment has saved more than £1½bn in both 1989-90 and 1990-91. But substantial increases in planned spending on other benefits, particularly for the disabled, mean that the social security programme will be only marginally reduced in 1989-90 compared with previous plans, and some £1.7bn higher in 1990-91.

On science and technology, we have altered the balance of public support within an increased total. In particular, provision for spending by the Department of Education and Science has been increased by £120m a year, with the science budget up by 16 per cent in 1989-90. This reflects the importance the Government attaches to basic and strategic research.

The new plans imply an overall increase of £2¼bn in public sector capital spending in 1989-90. This includes extra investment in hospitals, housing, prisons, and roads. There is provision for higher investment by the nationalised industries, including further anti-pollution investment by the water authorities.

That the Government has been able to strengthen its priority programmes within an unchanged planning total for 1989-90 is, in large measure, a reflection of the success of its policies.

The improved performance of the economy has eased pressures on a number of programmes, giving the Government more scope than ever before to shift resources where its own priorities, rather than circumstances, dictate.

The details of these and other changes are provided in the material in the Vote Office. More details will be published in the printed Autumn Statement next week.

I turn next to national insurance contributions.

The Government have conducted the usual autumn review of contributions in the light of advice from the Government Actuary on the prospective income and expenditure of the National Insurance Fund, and taking account of the statement on benefits which my Rt Hon Friend the Secretary of State for Social Security made on 27 October.

The lower earnings limit will be increased next April to £43 a week, in line with the single person's pension, and the upper earnings limit will be raised to £325 a week. The upper limits for the 5 per cent and 7 per cent reduced rate bands will also be increased, to £75 a week and £115 a week respectively. The upper limit for the 9 per cent rate for employers will be raised to £165 a week.

Over recent years, we have steadily reduced the Treasury Supplement, the taxpayer's contribution to the National Insurance Fund. From 18 per cent in 1979, it now stands at 5 per cent. My Rt Hon Friend and I now propose to carry this policy to its logical conclusion and to abolish the supplement altogether. The necessary legislation will be introduced early in the new session.

However, because of the healthy state of the National Insurance Fund, this decision will not require any increase in contribution rates. Thus, the main Class I contribution rates will remain unchanged at 9 per cent for employees and 10.45 per cent for employers.

Finally, I turn to the Industry Act Forecast.

Growth this year looks to be turning out at 4½ per cent, compared with the 3 per cent growth I forecast at the time of the Budget. Investment is particularly strong, growing twice as fast as consumption, with manufacturing investment expected to show the biggest rise of all, at 18 per cent. Indeed, it is striking that total investment has grown almost twice as fast as total consumption over the whole of the past five years.

The continuing vigour of the British economy is testimony to the transformation that has taken place in the supply side of the economy; a transformation which has enabled the seven years to 1988 to record a combination of strong and steady growth unmatched since the war.

As a result, unemployment has been falling rapidly. Since the middle of 1986, it has fallen by very nearly 1m – the largest fall on record. Over the past year, unemployment has fallen faster in the UK than in any other major country.

Inflation, as measured by the retail price index, is likely to be a little over 6 per cent in the fourth quarter of this year. Part of the rise in recorded inflation reflects the impact on mortgage payments of the higher interest rates needed to tighten monetary policy and thus get inflation firmly back on a downward trend.

Excluding mortgage interest payments, the RPI in the fourth quarter is likely to be around 5 per cent, compared with the 4 per cent rise in the RPI forecast at the time of the Budget.

Exports have continued to perform well, with manufactured exports up 7¼ per cent over the past year. Over the past seven years, the UK's share of world trade in manufactured goods has remained steady after decades of decline.

However, with investment booming, and consumer spending increasing fast, total imports have grown even faster than exports, rising by 13 per cent in the year to the third quarter. This has led to a substantially greater current account deficit than I forecast at the time of the Budget. For 1988 as a whole, this now looks like turning out at some £13bn, equivalent to 2¾ per cent of GDP.

The stronger-than-expected economic growth this year means that total tax revenues are likely to exceed the Budget forecast by £3¾bn. Both income tax and VAT have been particularly buoyant.

In the Budget, I set a Public Sector Debt Repayment – or PSDR – for 1988-89 of £3bn, equivalent to around ¾ per cent of GDP. With higher-than-expected government revenues and lower-than-expected public expenditure, this year's PSDR now looks likely to turn out at some £10bn, equivalent to over 2 per cent of GDP.

This will be the second successive year of debt repayment, something that has not been achieved since records began in the early 1950s. Moreover, this year, the Budget would still be in surplus, by some £4bn, even if there were no privatisation proceeds at all. No other major economy has such sound public finances.

Looking ahead to 1989, the economy is forecast to grow by a further 3 per cent, with domestic demand also up by 3 per cent. Once again, investment is expected to grow considerably faster than consumption, and once again unemployment is expected to fall.

The slower growth forecast for 1989 inevitably implies a marked deceleration during the course of the year, particularly so far as domestic demand is concerned. Thus, comparing the second half of next year with the second half for this year, overall growth is forecast at 2¼ per cent, and growth in domestic demand at only 1½ per cent.

The current account deficit is likely to fall only slightly, to some £11bn, or 2¼ per cent of GDP.

Inflation, while it will inevitably continue to edge up for some months to come, is forecast to peak at some point in the middle of next year before falling back again to 5 per cent by the fourth quarter.

In short, after two years of unexpectedly rapid expansion, growth next year is forecast to return to a sustainable level, and one which compares well with the economic performance of the 1970s; while inflation will resume its downward path.

The public finances are in substantial surplus and will remain so, with public spending on priority programmes continuing to increase, while overall public spending continues to fall as a share of GDP, to a level in 1991-92 not seen for a quarter of a century.

The prospect that lies before us is yet further testimony to the success of the policies we have been pursuing these past 9½ years and will continue to pursue, and to the economic transformation those policies have wrought.

UK NEWS — THE AUTUMN STATEMENT

Inflation expected to peak in middle of next year

GDP is forecast to grow by 3 per cent in 1989, following growth of 4½ per cent this year. Inflation is expected to peak in mid-1989, and fall back by the end of the year.

The forecast assumes that fiscal and monetary policies are operated within the framework of the Medium Term Financial Strategy. It assumes that both North Sea oil prices and sterling remain close to their recent levels. The public sector debt repayment (PSDR) is expected to be about £10bn in the current financial year, equivalent to 2 per cent of GDP. The forecast assumes a similar PSDR in 1989-90 to that in 1988-89; the actual PSDR for that year will, as usual, be set in the Budget.

GNP in the major industrialised countries has grown faster than expected and is forecast to rise by 4 per cent in 1988; growth is forecast to slow down slightly, to 3 per cent, in 1989. World trade in manufactures has also picked up strongly and should grow by 8½ per cent in 1988. Inflation in the major industrialised countries is expected to remain low.

The economy has grown strongly over the past year, though major inconsistencies in the official statistics (discussed in the annex) make it difficult to assess the precise extent of growth. The average measure of GDP, which may understate the true position, is forecast to grow by about 4½ per cent in 1988, with manufacturing output rising by 7 per cent. Non-oil export volumes have recovered strongly after falling in early 1988. Domestic demand has risen sharply over the past year as investment has boomed and consumers' expenditure has continued to grow rapidly. It is expected to moderate in 1989.

The UK current account is forecast to be in deficit by £13 billion in 1988. This is considerably larger than forecast at Budget time, due mainly to stronger growth in both investment and consumption. The current account deficit should show a slight reduction during 1989.

Retail price inflation is expected to be 6¼ per cent in the fourth quarter of 1988. It is likely to rise further in the first half of 1989 before falling to 5 per cent in the fourth quarter of 1989. Manufacturing unit labour costs have risen slowly over the past year, since productivity has continued to grow at a very fast rate.

Employment has increased rapidly over the past year. Unemployment fell by half a million in the year to September. It should continue to fall over the next year, though probably at a slower rate than recently.

World economy

Since the recession in 1982 the major seven OECD countries have experienced six years of steady growth, with real GNP growing at an average rate of 3½ per cent a year and the unemployment rate falling by 2½ per cent. Growth in these countries is estimated to have increased to over 4 per cent over the past year. Exports have grown strongly, especially to those developing countries which benefited from the rise in real commodity prices in 1987 and the first half of 1988. Greater exchange rate stability following the Louvre accord and rising capacity utilisation have strengthened business confidence and contributed to a resurgence of investment.

In contrast to 1984, when the strength of activity in the major seven mainly reflected developments in the United States, the latest spurt in activity has been experienced in all these countries. This is reflected in the pick up in total trade and in world trade in manufactures, both of which are rising at around 9 per cent a year. All the major countries are currently experiencing an investment boom.

Although non-oil commodity prices rose by nearly 20 per cent in real terms over the last year, oil prices fell by rather more. The net effect on aggregate costs in industrial countries is likely to be small. Consumer price inflation in the major seven countries has remained around 3 per cent.

Table 1 shows the forecasts for world trade, activity and inflation in the major seven countries. Real GNP is expected to grow a little less strongly in 1989 than in 1988, with some slow-down in consumer spending.

Growth in world trade may also slow a little in 1989, but will probably still remain high since the imports of some developing countries are expected to remain buoyant.

Spot prices of non-oil commodities have weakened recently, but the continued strength of industrial activity makes a further fall doubtful. There is likely to be a modest rise in consumer price inflation in 1989.

Trade and the balance of payments

Exchange rates between the major currencies have been fairly stable over the past eight months. The dollar/Deutschemark rate is close to its level at the time of the Louvre accord. The forecast assumes that sterling remains close to recent levels.

Manufacturing unit labour costs in the UK have risen only slightly over the past year. Most of the large gain in labour cost competitiveness in 1986 has been maintained.

It is the rapid increase in domestic demand that explains most of the deterioration in the current account. Recent CBI surveys suggest that some industries have been facing capacity constraints, so it is likely that part of the unexpected domestic demand has been satisfied by imports. Some potential exports may also have been diverted to the domestic market.

After erratically low figures in early 1988, the volume of UK manufactured exports has since risen as world trade has continued to expand. In the third quarter of 1988 the volume of exports of manufactures was 7½ per cent higher than a year earlier. Manufactured export volumes, are forecast to rise by over 8 per cent in 1989, close to the projected growth of world trade.

Non-oil imports have risen very rapidly this year reflecting the strength of domestic demand and capacity shortages in some industries. Non-oil imports are expected to grow by 13½ per cent in 1988. But import growth should slow significantly in 1989, to 5 per cent, as domestic demand decelerates and as extra capacity becomes available following the investment boom.

The oil trade surplus is expected to fall by over £1½ billion in 1988 to around £2½ billion. This is the result of lower sterling oil prices, a decline in production (mainly due to the Piper Alpha disaster), and increased domestic demand for oil. Oil production is likely to fall again in 1989. Declining production and a further rise in domestic demand for oil imply another fall of about £¼bn in the oil surplus in 1989.

The terms of trade have improved somewhat over the past year, with the higher exchange rate more than offsetting the effects of falling oil prices. The terms of trade are assumed to remain broadly unchanged during the rest of 1988 and in 1989.

The surplus on invisibles in 1988 is likely to be around £2 billion lower than in 1987. This is largely due to a fall in the balance on services. UK tourists have been spending more abroad and the surplus on financial services has come down due to lower insurance premiums net of claims.

Net earnings from interest, profits and dividends are expected to be unchanged from last year. The deficit on transfers is also expected to be unchanged in 1988 with lower payments to the European Community offset by higher bilateral aid.

The invisibles surplus should rise a little in 1989 in part because payments abroad by North Sea companies continue to fall.

During 1987 the value of the stock of UK net overseas assets fell by £24 billion, to £90 billion, largely due to the fall in the sterling value of UK assets in North America following the fall in the US dollar.

Current account

The current account is estimated to have been in deficit by just under £10 billion in the first 9 months of 1988 (though the large positive balancing item suggests that this may overstate the actual deficit). The forecast for the year as a whole is for a deficit of £13 billion (about 2¾ per cent of GDP).

The forecast for 1989 is for a slightly smaller current account deficit. The expected slowdown in domestic demand growth will benefit non-oil trade, but this will be partly offset by the smaller oil surplus.

Consumer spending

Consumer spending is estimated to have risen by 5½ per cent in 1986 and by 5 per cent in 1987. This is considerably faster than the growth in real personal disposable income, and the recorded savings ratio fell from an estimated 9½ per cent in 1985 to 5¼ per cent in 1987. In 1988 consumer spending is likely to increase by about 5½ per cent, a similar rate to that in 1986 and 1987. The savings ratio is likely to fall to about 3½ per cent.

Several factors may explain the substantial fall in the savings ratio since 1980. Most important has been greater confidence in the future, with people having lower inflation expectations and greater wealth, especially following the large rise in house prices. In addition, employers' contributions to pension funds have been falling in recent years as companies have reacted to the surpluses t hat many funds have been running; this scores in the official statistics as lower personal saving.

The fall in the savings ratio has been associated with an increase in borrowing – particularly mortgage borrowing – following the ending of mortgage rationing and other restrictions. But householders will not wish to go on accumulating debt at the same rate as recently: levels of borrowing are already high relative to income. Moreover, households are now, for the first time, substantial net payers of interest, and higher interest rates are therefore particularly likely to reduce consumer spending. This should be reinforced by a slow-down in the growth of house prices and hence of housing wealth. Consumer spending is expected to rise by 3½ per cent in 1989 with a deceleration through the year. The savings ratio should recover slowly during 1989.

The housing market has been particularly buoyant over the past year, though the fall in building society mortgage commitments in August and September suggests that the pressure of demand is easing. Nonetheless, private sector investment in dwellings and improvements is likely to increase substantially in 1988 as a whole. It is likely to rise much more slowly in 1989.

Company incomes and expenditure

The net rate of return of non-North Sea industrial and commercial companies (ICCs) rose for the sixth successive year in 1987, back to levels not seen for almost twenty years. The net rate of return of manufacturing companies rose to just over 9 per cent in 1987, again the highest level for almost twenty years. With continued strong profit growth likely in 1988 net rates of return are expected to improve further.

Developments so far in 1988 confirm the investment boom predicted by recent CBI surveys and DTI Investment Intentions Surveys. Business investment is expected to rise a little faster in 1988 than the June DTI Intentions Survey suggested. Manufacturing investment, including leased assets, is likely to rise by 18 per cent and total non-oil business investment by over 13 per cent. Further growth in business investment is likely in 1989. Recorded stockbuilding is expected to continue on only a moderate scale in 1988 and 1989.

Growth of the average measure of GDP is forecast to be around 4½ per cent in 1988. It could turn out to be even higher if, as seems likely, the expenditure measure is subsequently revised up. With the forecast slow-down in domestic demand, GDP is expected to rise more slowly in 1989.

North Sea output fell by some 3 per cent between the first half of 1987 and the first half of 1988, and is expected to decline further in the second half of 1988. In 1989 declining output in the North Sea may reduce GDP growth by ½ per centage point. Manufacturing output is forecast to rise faster than total non-North Sea GDP in both 1988 and 1989.

Inflation

The annual rate of RPI inflation has risen since early 1988, in part as a result of the rise in mortgage interest rates. Chart 10 shows that, excluding mortgage interest payments, the increase has been less pronounced, though it has risen from the low levels of 1986 and 1987 which were associated with the oil price fall.

RPI inflation is likely to average 6¼ per cent in the fourth quarter of 1988; excluding mortgage interest payments the figure is expected to be 5 per cent. Producer price inflation has also edged up during 1988. Though higher than expected at Budget time, the underlying rate of increase in prices has been lower than in periods of fast demand and output growth in the 1970s.

The underlying increase in average earnings has risen from 8½ per cent at the start of the year to 9¼ per cent in August 1988. Pay settlements have edged up as labour markets have tightened, but high overtime payments and performance related bonuses have also played an important part.

Despite high earnings increases, growth in manufacturing unit labour costs has been kept down by the rapid growth in productivity. Unit labour costs in manufacturing

Continued on next page

Table 1 World economy

	1987	Forecasts 1988	Forecasts 1989
	Percentage changes on previous year		
Major seven countries[1]:			
Real GNP	3½	4	3
Real domestic demand	3½	4	3
Industrial production	3	5½	4½
Consumer prices	3	3	4
World trade, at constant prices			
Total imports	5	9	6½
Trade in manufactures	5½	8½	7½

1 US, Japan, Germany, France, UK, Italy and Canada

Table 2 Visible trade

	All goods: Export volume	All goods: Import volume	All goods: Terms of trade[1]	Goods less oil: Export volume	Goods less oil: Import volume	Goods less oil: Terms of trade[1]
	Percentage changes on previous year					
1987	5	7	1	6½	8	1
1988 Partly forecast	2	12½	1½	5	13½	2
1989 Forecast	7	5	1	8½	5	1

1 The ratio of UK export average values to import average values.

Table 3 Current account

£ billion	Manufactures	Other	Oil	Invisibles	Current balance
1987	– 7½	-7	4	7½	– 2½
1988 Partly forecast	-13	-8	2½	5½	-13
1989 Forecast	-11½	-7½	2	6	-11

Table 4 Gross domestic fixed capital formation

	£billion at 1985 prices 1987	Percentage changes on previous year 1987	Forecasts 1988	Forecasts 1989
Business[1]	41.1	6½	13½	7½
of which: non-oil business	39.2	8½	13½	7
manufacturing	10.1	5	18	10
Private dwellings[2]	15.2	7	13	2½
General government	8.1	– ½	½	2½
Total fixed investment	64.2	5½	12	5½

1 Includes investment by public corporations.
2 Includes purchase less sales of land by persons, companies and public corporations, other than purchases of council houses.

Table 5 Domestic demand and GDP

	1987	Forecasts 1988	Forecasts 1989
	Percentage changes on a year earlier		
Domestic demand	4½	6	3
Exports of goods and services[1]	5½(6½)	1½(4)	5½(6½)
Imports of goods and services[1]	7½(8)	12(13)	4½(5)
Gross Domestic Product[1,2]	4 (4½)	4½(5)	3 (3½)
Manufacturing Output	6	7	4½

1 Non-oil shown in brackets. 2 Average measure.

Table 6 Costs in manufacturing

	Unit labour costs	Cost of materials and fuel	Estimated total unit costs[2]	Output prices[1]
	Percentage changes on previous year			
1986	5	-10½	2¾	4
1987	¾	5	1½	4¾
1988 Partly forecast	¾	4	1¾	4¾
1989 Forecast	2½	1½	3¾	4¾

1 Producer prices excluding food, drink and tobacco industries.
2 Including costs of bought-in services.

Table 7 Retail prices index

	Weight in 1988	1987 Q4	Forecasts 1988 Q4	Forecasts 1989 Q4
		Percentage changes on a year earlier		
Food	16¾	3½	3¾	3¾
Nationalised industries	5½	2¾	7¾	6¾
Housing	15¾	7	16¾	7
Other	63	3¾	4½	4¾
Total	100	4	6¾	5

Table 8 Changes in Employment

Thousands, GB seasonally adjusted	Employees in employment: Male	Employees in employment: Female	Self-employed	HM forces	Work related government training programmes	Workforce in employment
June 1985 to June 1986	-68	+152	+ 16	-4	+50	+145
June 1986 to June 1987	- 6	+242	+234	-3	+85	+552
June 1987 to June 1988	+60	+222	+124[1]	-3	+35	+438

1 Figures for self-employment over the last year are a projection based on self-employment growth over the previous six years.

Table 9 Output per head of the employed labour force

Annual average, percentage changes	1964-73	1973-79	1979-88[2]
Manufacturing	3¾	¾	4½
Non-manufacturing[1]	3	½	1¾
Whole economy	2¾	1	2¾
Non-North Sea economy	2¾	½	2

1 Excludes public services and North Sea oil and gas extraction.
2 Includes estimate for 1988.

Table 10 General government expenditure

£ billion	1987-88 Outturn	1988-89 Budget forecast	1988-89 Latest forecast
Public expenditure planning total	145.7	156.8	153.6
Interest payments	17.5	17.5	17.7
Other adjustments	8.2	8.6	9.6
General government expenditure	171.5	182.9	180.9
of which Privatisation proceeds	– 5.2	– 5.0	– 6.0

Table 11 General government receipts

£ billion	1987-88 Outturn	1988-89 Budget forecast	1988-89 Latest forecast
Taxes on income, expenditure and capital	132.7	141.2	143.8
National insurance and other contributions	29.1	31.6	32.2
Interest and dividends	6.0	5.6	6.4
Other receipts	5.8	6.5	6.3
Total receipts	173.6	184.9	188.6
of which North Sea revenues	4.7	3.3	3.3

Table 12 Public sector debt repayment

£ billion	1987-88 Outturn	1988-89 Budget forecast	1988-89 Latest forecast
General government expenditure	171.5	182.9	180.9
General government receipts	173.6	184.9	188.6
General government debt repayment	2.0	2.0	7.8
Public corporations' market and overseas debt repayment	1.6	1.2	2.0
PSDR	3.6	3.2	9.8
PSDR as per cent of GDP	¾	¾	2
PSDR excluding privatisation proceeds as per cent of GDP	– ¼	– ½	¾

Table 13: Economic prospects: summary

Percentage changes on previous year unless otherwise stated

	1987	Forecast 1988	Forecast 1989	Average errors from past forecasts[1]
GDP and domestic demand at constant prices				
Domestic demand	4½	6	3	1
of which:				
Consumers' expenditure	5	5½	3½	1¾
General government consumption	1	½	½	¾
Fixed investment	5½	12	5½	2¾
Change in stockbuilding (as a percentage of GDP)	0	0	0	¾
Exports of goods and services	5½	1½	5½	2¾
Imports of goods and services	7½	12	4½	2¾
Gross domestic product	4	4½	3	¾
Manufacturing output	6	7	4½	2
Balance of payments current account (£ billion)	– 2½	-13	-11	4¾
Inflation				
Retail price index (Q4 on Q4)	4	6¾	5	1¾
GDP deflator at market prices (financial year)	5¼	6¾	5	1¾
Money GDP at market prices (financial year)	10	11	8	1¾
£ billion	424	471	508	
PSDR (financial year)				
£ billion	3½	10		3
as a percent of GDP	¾	2		½

1 The errors relate to the average differences (on either side of the central figure) between Autumn Industry Act forecasts and outturn over the last ten years and apply to the forecasts for 1989, except for the PSDR where they apply to the forecasts for 1988-89.

Inflation expected to peak

Continued from previous page

are expected to rise by just under 1 per cent in 1988.

The low growth in costs over the last two years has not been fully reflected in producer output prices. With fast growth in demand, UK manufacturing industry has increased profit margins substantially. The projected slow-down in demand and activity may mean that profit margins will show less growth in 1989, and that unit labour costs will grow more rapidly (because of a likely cyclical slow-down in productivity growth). Producer output price inflation may be only a little less in 1989 than in 1988.

Retail price inflation could rise further during the first half of 1989 before moderating to 5 per cent by the fourth quarter. The fluctuations in the RPI are chiefly the result of past changes in mortgage rates; excluding mortgage interest payments, the inflation path is likely to be much smoother.

The GDP deflator, which measures the price of domestic value added (principally unit labour costs and profits per unit of output), is forecast to rise by 6¼ per cent in 1988-89 and by 5 per cent in 1989-90.

Productivity and the labour market

The workforce in employment in Great Britain has continued to rise strongly over the last year: in the twelve months to June 1988 it is estimated to have risen by 440,000 thousand. Since 1983 there has been an increase of over 2 million in the workforce in employment.

Productivity has been growing strongly, with manufacturing productivity now estimated to have risen by 4½ per cent a year on average since 1979. Underlying growth in labour productivity in manufacturing industry now appears to be higher than the rate experienced in the 1960s. Output per head in the non-manufacturing sector has risen by about 1¾ per cent a year since 1979, and by about 2½ pe r cent a year since 1983.

By September 1988, seasonally adjusted adult unemployment in the UK had fallen for 26 successive months, by some 940,000 in total. The fall in unemployment over the past year is mainly attributable to the strong growth of output and employment. A further, though slower, fall in unemployment is likely over the year ahead. The main threat to achieving this would be excessive pay settlements.

Financial developments

Over the past year, with the exception of a short-lived upsurge in April and May, the sterling index has varied by less than 3 per cent from its present level. In the nine months to September, the reserves increased by an underlying $5 billion, net of official borrowing.

The year on year growth of M0 has remained above the top of its 1-5 per cent target range. Increases in interest rates since the summer are expected to slow the growth of M0 considerably over the next six months, although it may not return within its target range by the end of the financial year.

Broad money has continued to grow rapidly. There has been a marked increase in personal and financial sector deposits, as the stock market crash led to a move away from new investment in equities and unit trusts. Financial innovation and liberalisation continue to contribute to the growth of broad money.

Tables 10 to 12 show both the Budget projections and latest forecasts for general government expenditure and receipts and the public sector debt repayment. The PSDR in 1987/88 was £3½ billion, slightly higher than estimated in the 1988 FSBR.

In the first half of 1988-89 there was debt repayment of just over £3¼ billion, compared with public sector borrowing of about £2 billion in the first half of 1987-88. The revised forecast for 1988-89 as a whole is a PSDR of £10 billion, £6¼ billion higher than forecast in the FSBR. This is due in roughly equal amounts to higher than expected receipts and lower than expected expenditure. The revisions on the receipts side largely reflect the higher than expected growth of money GDP.

Gross debt interest payments in 1988-89 are a little higher than forecast at Budget time because of higher interest rates and inflation (which raises the cost of servicing indexed debt). Higher than expected debt repayment reduces interest payments, but most of this effect will be in future years.

The upward revision to the forecast of other adjustments largely reflects a change in the comp osition of public corporations' net financing which increases general government expenditure, but does not affect the PSDR.

The forecast for general government receipts has been revised up by over £3½ billion since the Budget, most of which is accounted for by higher taxes and national insurance contributions. VAT and income tax are expected to be £1 billion and £¾ billion higher respectively than in the Budget forecast. Other significant increases come from national insurance contributions and stamp duty, each of which are £½ billion higher. The higher stamp duty mainly reflects the buoyancy of the housing market earlier this year.

Total interest and dividend receipts are forecast to be £¼ billion higher in 1988-89 than in 1987-88. Within this, dividends are about £¾ billion lower due to the sale of the government's remaining shares in British Petroleum, and interest receipts £¾ billion higher. General government receipts in total are now forecast to increase by 8¼ per cent in 1988/89, much the same rate of increase as in 1987-88.

Table 12 shows the Budget and latest forecasts for the PSDR. The forecast is still subject to a wide margin of error: the average error on PSDR forecasts for the current financial year made in the autumn is ¾ per cent of GDP, or nearly £3 billion. On the basis of this forecast, the budget surplus in 1988/89 will be larger as a proportion of money GDP than in any year since the beginning of th e 1950s, the earliest date for which figures on this basis are available.

ANNEX

1. It is difficult to assess how strongly the UK economy has grown over the past two years because of the considerable disparity between the growth rates of the various measures of real GDP. The disparity was particularly marked for the first half of 1988.

2. The output estimate of GDP, which is generally considered the most reliable short-term indicator, grew by 6 per cent in the year to the first half of 1988. The income measure has also shown strong growth. By contrast, the expenditure estimate of GDP grew by only 2½ per cent over the same period. It seems likely that growth in aggregate expenditure has been under-recorded over the past two years, and maybe over a longer period.

3. There are related problems with the current price national accounts figures, reflected in a rising residual error (the difference between the current price income and expenditure measures of GDP), especially in the first half of 1988.

4. At the same time large balancing items have emerged in the sectoral financial accounts. Sectoral balancing items are the differences between net acquisitions of financial assets as measured from financial data and as measured from national income and expenditure data. The sum of the balancing items is equal to the difference between the income and expenditure measures of GDP.

5. There is little information on the nature or size of the errors in the income and expenditure or the financial accounts that give rise to these large balancing items.

6. In 1987, the balancing item for the personal sector was equal to about 8 per cent of personal disposable income. This indicates that the personal sector may have acquired far more financial assets than the national income and expenditure estimates imply. It is also consistent with some under-recording of personal sector income and, hence, savings.

7. The large overseas balancing item in the first half of 1988 (about £7 billion) indicates that there were either unrecorded net credits on the current account or unrecorded net capital inflows or, most likely, both. To the extent that it reflects unrecorded net credits (ie net visible exports or invisibles) the true current account deficit would be lower than the recorded figure.

8. The balancing item for the industrial and commercial companies sector may imply some under-recording of spending on investment and stocks or unrecorded trade credit extended to other sectors. If net exports and company sector capital spending were higher than the recorded figures indicate, that would go some way to correct the sluggish behaviour of the recorded expenditure measure of GDP relative to the other measures.

9. The forecast for 1989 makes some allowance for a further rise in the average estimate of GDP, relative to the expenditure measure, though much less than in 1988.

TABLE 14 GROSS DOMESTIC PRODUCT AND ITS COMPONENTS

£billion at 1985 prices, seasonally adjusted

	Consumers' expenditure	General government consumption	Total fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost (average measure)	GDP index (average measure) 1985=100
1984	207.9	74.0	58.1	97.1	1.3	438.1	96.7	48.7	0.8	293.3	96.3
1985	215.3	74.0	60.3	102.8	0.6	452.9	99.2	49.3	0.5	304.7	100.0
1986	226.5	75.6	60.8	106.6	0.6	470.3	105.6	51.8	1.1	314.0	103.0
1987	238.5	76.0	64.2	112.1	0.6	491.8	113.3	54.3	3.1	327.1	107.4
1988	251.9	76.4	72.0	114.4	1.0	515.8	126.8	56.7	8.9	341.2	112.0
1989	261.1	75.9	76.0	120.8	0.6	534.4	132.8	59.4	9.9	352.1	115.6
1987H1	117.0	37.8	31.2	55.3	-0.2	241.4	55.9	26.7	0.9	161.6	106.1
H2	121.4	38.3	32.9	57.1	0.7	250.4	59.4	27.8	2.3	165.3	108.6
1988H1	124.2	38.0	34.2	56.0	0.5	253.0	60.9	27.8	4.1	168.5	110.6
H2	127.8	38.4	37.8	58.3	0.5	262.8	65.9	29.0	4.8	172.7	113.4
1989H1	129.8	37.9	37.9	59.8	0.3	265.7	65.9	29.3	4.9	175.2	115.0
H2	131.3	38.1	38.1	60.9	0.3	268.7	66.9	29.9	5.0	176.9	116.1
Per cent changes 2											
1986 to 1987	5	½	5½	5½	0	4½	7½	5	½	4	4
1987 to 1988	5½	½	12	1½	0	5	12	4	2	4	4½
1988 to 1989	3½	-½	5½	5½	0	3½	4½	4½	¼	3	3

1 The GDP figures are averages of constant price output, expenditure and income estimates of GDP. Percentage changes are calculated from unrounded levels and then rounded to the nearest half per cent. Figures for 1988H2 and beyond are forecasts. In the year to 1988H1, the expenditure measure grew by 2½ per cent compared with 4½ per cent growth for the income measure and 6 per cent for the output measure. It is likely that the expenditure measure and, consequently, the average measure both understate recent growth.

2 Changes as a percentage of GDP for stockbuilding and statistical adjustment

Public Expenditure Plans

AFTER the Chancellor had presented his autumn statement, the Treasury presented the accompanying series of tables detailing the Government's public expenditure plans.

The Treasury said that a fuller account of the new plans would appear in the printed autumn statement which is to be published on November 8.

As indicated in the white paper Financial Reporting to Parliament the section on public spending in the printed autumn statement will be expanded so that it includes nearly all the information previously found in Chapter 1 of the public expenditure white paper.

The role of the white paper, which will appear early in the new year, will be principally to spell out the details of individual departmental programmes.

The individual chapters will be bound separately rather than published as one large volume covering all departments. This will provide a stepping stone to the eventual production of departmental reports to replace the white paper, a development which a number of select committees have promoted; and it will also enable those whose interest is confined to a particular department to obtain only that chapter.

Table 7 appears on next page

Table 1 — Public expenditure trends

£ billion

	General govt expenditure (excluding privatisation proceeds): Cash	Real terms[1]	Money GDP	General govt expnditure (ex. privatisation proceeds) as % of GDP
1963-64	11.3	87.9	31.4	36¼
1964-65	12.3	91.7	34.1	36
1965-66	13.6	96.8	36.6	37¼
1966-67	15.1	102.8	38.8	38¾
1967-68	17.5	115.5	41.2	42¼
1968-69	18.2	115.2	44.8	41
1969-70	19.3	115.6	48.0	40¼
1970-71	21.6	119.8	53.1	40¾
1971-72	24.4	123.3	59.2	41
1972-73	27.6	129.8	67.5	41
1973-74	32.0	140.5	74.8	42¾
1974-75	42.9	157.6	89.1	48¼
1975-76	53.6	157.5	110.8	48¼
1976-77	59.6	154.1	129.4	46
1977-78	64.4	148.3	150.6	42¾
1978-79	75.0	153.8	173.1	43¼
1979-80	90.3	158.6	207.6	43½
1980-81	109.0	161.5	236.6	46
1981-82	121.0	163.3	259.9	46½
1982-83	133.1	167.6	284.6	46¾
1983-84	141.6	170.5	308.6	45¾
1984-85	152.8	175.2	330.5	46¼
1985-86	160.9	175.0	361.1	44½
1986-87	168.9	177.8	385.7	43¾
1987-88	176.7	176.7	424.5	41½
1988-89	185.9	175.9	471.0	39¾
1989-90	198.7	178.1	506.0	39¼
1990-91	210.0	181.9	539.0	39
1991-92	221.0	185.8	569.0	38¾

1 Cash figures adjusted to 1987-88 price levels by excluding the effect of general inflation as measured by the GDP deflator at market prices. The GDP deflator is assumed to increase by some 6¼ per cent in 1988-89, and by 5, 3½ and 3 per cent respectively in the years 1989-90 to 1991-92.

Table 6 — External financing limits for the nationalised industries 1989-90

	£ million[1]
British Coal	560
British Railways Brd	436
British Shipbuilders	-1
British Waterways Brd	48
Civil Aviation Authority	47
Electricity (Eng and Wales)	-1300
Electricity (Scotland)[2]	-60
London Regional Trans.	287
Post Office	-91
Scottish Trans. Group	-5
Water (Eng. and Wales)[3]	40
TOTAL	-35

1 Figures rounded to nearest £1m

2 From April 1989, the Scottish Electricity Boards will enter a revised trading relationship in preparation for privatisation. Separate EFLs for the two boards will be determined when the new arrangements are established.

3 Allowance for external financing for the Regional Water Authorities. Figures will depend on the actual timing of the establishment of the National Rivers Authority and privatisation during 1989-90.

Table 2 — Public expenditure[1][2]

£ million

	Latest estimates of outturn: 1987-88 outturn	1988-89 estimated outturn	Change '87-'88 to '88-'89	New plans: 1989-90 plans	1990-91 plans	1991-92 plans	Change from January 1988 white paper: 1988-89	1989-90	1990-91
Ministry of Defence	18 863	19 300	460	20 120	21 180	22 090	80	150	600
FCO - Diplomatic wing	660	750	90	770	810	850	30	30	50
FCO - Overseas Development Administration	1 303	1 480	180	1 540	1 630	1 680	50	30	80
European Communities	1 664	950	-710	1 970	1 950	1 580	150	500	630
Ministry of Ag, Fisheries and Food[3]	1 976	1 860	-110	1 950	2 160	2 350	-350	-380	-340
Department of Trade and Industry	726	1 700	980	1 360	1 340	1 160	460	160	190
Export Credits Guarantee Dept	151	110	-40	180	120	60	-20	60	30
Department of Energy	228	220	-10	-250	-510	620	100	-80	-100
Department of Employment[4]	3 915	4 120	210	4 020	3 980	3 980	-120	-250	-370
Department of Transport	4 586	4 810	230	5 360	5 540	5 660	-330	240	330
DOE - Housing	2 687	2 050	-640	1 710	2 040	2 390	-970	-1 290	-1 010
DOE - other environmental services[5]	3 640	4 380	740	4 480	4 560	4 700	520	480	460
Home Office	5 702	6 280	580	6 900	7 220	7 390	-230	610	760
Legal departments[6]	793	960	160	1 080	1 170	1 240	-20	30	60
Department of Education and Science	17 061	18 440	1 380	19 570	20 240	20 770	470	870	1 000
Office of Arts and Libraries	889	980	90	980	1 010	1 050	70	30	30
Department of Health	19 716	21 740	2 020	23 160	24 380	25 390	1 060	1 460	1 700
Department of Social Security[4]	46 249	47 600	1 400	51 000	55 300	58 700	-990	-100	1 700
Scotland	8 087	8 720	630	8 970	9 140	9 680	210	410	410
Wales	3 330	3 600	270	3 790	3 900	4 010	140	240	230
Northern Ireland	4 926	5 160	240	5 470	5 690	5 910	20	140	180
Chancellor's departments	3 432	3 670	240	4 080	4 280	4 490	-130	40	90
Other departments	296	360	70	320	340	350	100	70	70
Reserve	0	0	0	3 500	7 000	10 500	-3 500	-3 500	-3 500
Privatisation proceeds	-5 161	-6 000	-840	-5 000	-5 000	-5 000	-1 000	0	0
Adjustment[7]	0	330	330	0	0	0	330	0	0
Planning total	145 740	153 600	7 800	167 100	179 400	191 600	-3 300	0	3 300
General government gross debt interest	17 526	17 700	200	17 000	16 000	15 500	-600	-700	-1 300
Other national accounts adjustments	8 230	9 600	1 400	9 500	9 500	9 000	1 600	1 300	900
General government expenditure	171 496	180 900	9 400	193 700	205 000	216 000	-2 200	600	2 900

1 The rounding and other conventions used in this table and Tables 3, 4 and 5 are as follows: plan figures are rounded to the nearest £10 million, except for social security (in this table and Table 3), the planning and spending authority totals (except for public corporations) and general government expenditure which are rounded to the nearest £100 million. In the case of general government expenditure, this does not imply accuracy to this degree. Debt interest and other national accounts adjustments for future years are rounded to the nearest £500 million. Outturn figures for 1988-89 have also been rounded to reflect their provisional nature. The changes and totals are based on the unrounded figures, and may therefore differ from the changes and sums of the rounded figures. In this table and Tables 3, 4 and 5 some figures may be subject to detailed technical amendment before the publication of the 1989 public expenditure White Paper.

2 Plans as set out in the last public expenditure White Paper (Cm 288) adjusted for changes of classification and allocation.

3 Includes Intervention Board for Agricultural Produce and Forestry Commission.

4 Changes include a transfer from the Department of Employment to the Department of Social Security of £50 million in 1989-90 and £30 million in 1990-91 to cover certain increased expenditure on administering benefits for the unemployed.

5 Includes Water Services Office.

6 Legal departments comprise: the Lord Chancellor's Department, the Northern Ireland Court Service, the Crown Prosecution Service, the Serious Fraud Office and the Crown Office.

7 An adjustment for the difference between the assessment of the likely outturn for 1988-89 and the sum of the other items shown.

Table 4 — Local authority spending[1]

£ million

	Latest estimates of outturn: 1987-88 outturn	1988-89 estimated outturn	Change '87-'88 to '88-'89	New plans: 1989-90 plans	1990-91 plans	1991-92 plans	Change from January 1988 white paper: 1988-89	1989-90	1990-91
Ministry of Agriculture, Fisheries and Food	179	190	10	220	230	230	-10	20	20
Department of Trade and Industry	86	100	10	100	100	110	0	0	10
Department of Employment	127	140	10	140	150	150	10	0	0
Department of Transport	2 530	2 560	30	2 750	2 820	2 900	-90	30	20
DOE - Housing	1 406	730	-670	310	380	390	-960	-1 230	-1 080
DOE - Other environmental services	3 230	3 870	640	3 750	3 660	3 780	500	280	120
Home Office	4 710	5 130	420	5 470	5 660	5 830	200	350	330
Department of Education and Science	14 387	15 470	1 080	15 290	15 840	16 310	440	600	720
Office of Arts and Libraries	520	560	40	540	560	570	60	20	30
Department of Health	3 050	3 340	290	3 430	3 550	3 680	220	210	230
Department of Social Security	3 727	3 970	250	4 640	5 080	5 470	-30	390	590
Scotland[2]	4 253	4 580	320	4 760	4 860	5 010	170	260	230
Wales[2]	1 714	1 780	70	1 820	1 870	1 930	100	90	100
Northern Ireland[2]	782	820	40	870	900	940	0	20	30
TOTAL	40 701	43 200	2 500	44 100	45 700	47 300	600	1 100	1 400
of which:-									
Relevant expenditure[3]	31 985	34 400	2 600	35 200	36 500	37 500	1 200	1 700	2 000
Other current	5 071	5 400	300	6 100	6 600	7 000	0	400	600
Capital	3 645	3 400	-200	2 600	2 600	2 700	-600	-1 100	-1 200

1 See footnotes to Table 2. Figures exclude finance to public corporations.

2 See footnote 2 to Table 3.

3 Public expenditure relevant for Aggregate Exchequer Grant.

Table 3 — Central government spending[1]

£ million

	Latest estimates of outturn: 1987-88 outturn	1988-89 estimated outturn	Change '87-'88 to '88-'89	New plans: 1989-90 plans	1990-91 plans	1991-92 plans	Change from January 1988 white paper: 1988-89	1989-90	1990-91
Ministry of Defence	18 853	19 300	450	20 120	21 180	22 090	80	150	600
FCO - Diplomatic wing	660	750	90	770	810	850	30	30	50
FCO - Overseas Development Admin	1 304	1 450	150	1 510	1 600	1 660	50	30	80
European Communities	1 664	950	-710	1 970	1 950	1 580	150	500	630
Ministry of Ag, Fisheries and Food	1 795	1 650	-140	1 710	1 930	2 120	-340	-400	-340
Department of Trade and Industry	900	1 820	920	1 330	1 280	1 130	560	70	80
Export Credits Guarantee Department	151	110	-40	180	120	60	-20	60	30
Department of Energy	575	530	-50	490	410	360	20	30	-20
Department of Employment	3 783	3 990	200	3 880	3 810	3 810	-120	-250	-380
Department of Transport	1 373	1 430	60	1 780	1 880	1 940	-30	290	350
DOE - Housing	1 301	1 380	80	1 410	1 630	1 920	60	20	180
DOE - other environmental services	468	510	40	660	670	670	20	190	200
Home Office	992	1 150	160	1 430	1 570	1 560	30	280	370
Legal departments	793	960	160	1 080	1 170	1 240	-20	30	60
Department of Education and Science	2 694	2 970	280	4 280	4 400	4 460	30	270	280
Office of Arts and Libraries	369	420	50	440	450	480	0	0	0
Department of Health	16 654	18 380	1 730	19 720	20 830	21 730	840	1 250	1 470
Department of Social Security	42 522	43 600	1 100	46 300	50 200	53 200	-800	-500	1 100
Scotland[2]	3 459	3 800	350	3 850	4 060	4 220	110	130	190
Wales[2]	1 539	1 710	180	1 860	1 920	1 980	50	140	140
Northern Ireland[2]	3 799	4 060	260	4 290	4 480	4 660	60	110	140
Chancellor's departments	3 436	3 670	230	4 090	4 290	4 500	-130	40	90
Other departments	296	360	70	320	340	350	100	70	70
Total	109 380	115 000	5 600	123 500	131 000	136 600	700	2 500	5 400

1 See footnotes to Table 2. Figures exclude finance for public corporations.

2 The breakdown of the Scottish, Welsh and Northern Irish additions between central government, local authorities and public corporations is based on previous patterns of expenditure and may be varied, except in the case of local authority relevant expenditure in 1989-90, where the provision for Scotland and Wales is as announced in July in the RSG settlement for that year.

Table 8 — Public expenditure in real terms(1) by department, 1978-79 to 1991-92

£ billion (base year 1987-88)

	1978-79 outturn	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 outturn	1988-89 outturn *	1989-90 plans	1990-91 plans	1991-92 plans
Ministry of Defence	15.4	18.1	18.6	18.7	19.5	19.1	18.9	18.2	18.0	18.3	18.6
FCO- Diplomatic wing	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
FCO- Overseas Development Administration	1.6	1.3	1.4	1.4	1.4	1.4	1.3	1.4	1.4	1.4	1.4
European Communities	1.5	0.7	1.0	1.1	0.9	1.1	1.7	0.9	1.8	1.7	1.3
Ministry of Agriculture, Fisheries & Food(2)	1.8	2.3	2.4	2.3	2.6	1.9	2.0	1.8	1.7	1.9	2.0
Department of Trade and Industry	3.7	2.4	1.8	1.8	1.7	2.2	0.7	1.6	1.2	1.2	1.0
Export Credits Guarantee Department	0.7	0.4	0.3	0.6	0.4	0.3	0.2	0.1	0.2	0.1	0.1
Department of Energy	1.1	1.1	1.3	3.0	0.7	-0.2	0.2	0.2	-0.2	-0.4	0.5
Department of Employment	2.2	3.0	3.5	3.6	3.7	4.1	3.9	3.9	3.6	3.4	3.3
Department of Transport	5.4	5.5	5.2	5.3	5.0	4.9	4.6	4.5	4.8	4.8	4.8
DOE - Housing	7.3	3.4	3.8	3.7	3.2	3.0	2.7	1.9	1.5	1.8	2.0
DOE - other environmental services(2)	4.6	4.5	4.6	4.5	4.3	4.2	3.8	4.1	4.0	3.9	4.0
Home Office	3.8	4.7	5.0	5.3	5.2	5.4	5.7	5.9	6.2	6.3	6.2
Legal departments(2)	0.3	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.0	1.0
Department of Education and Science	15.9	16.0	16.2	16.0	15.7	16.5	17.1	17.4	17.5	17.5	17.5
Office of Arts and Libraries	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Department of Health	15.2	17.5	17.7	18.1	18.1	18.9	19.7	20.5	20.8	21.1	21.3
Department of Social Security	33.7	40.9	42.4	43.7	45.1	48.8	48.2	44.8	45.7	47.9	49.3
Scotland	8.0	8.2	8.2	8.2	7.9	8.1	8.1	8.2	8.0	7.9	8.1
Wales	3.2	3.2	3.2	3.1	3.0	3.2	3.3	3.4	3.4	3.4	3.4
Northern Ireland	4.4	4.5	4.6	4.7	4.8	4.8	4.9	4.9	4.9	4.9	5.0
Chancellor's department	3.0	3.3	3.0	3.0	3.1	3.3	3.4	3.5	3.7	3.7	3.8
Other departments	0.8	0.8	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Reserve									3.1	6.1	8.8
Privatisation proceeds		-0.6	-1.4	-2.5	-2.9	-4.7	-5.2	-5.6	-4.5	-4.3	-4.2
Adjustment[2]								0.3			
Planning total	134.9	143.0	145.0	148.9	145.6	146.7	145.7	144.6	149.7	155.4	161.1
General government expenditure	153.8	167.0	169.2	172.7	172.1	173.1	171.5	170.2	173.6	177.5	181.6
General government expenditure (excluding privatisation proceeds)	153.8	167.6	170.5	175.2	175.0	177.8	176.7	175.9	178.1	181.9	185.8
GDP deflator (% increase on previous year)		7.1	4.6	5.1	5.4	3.3	5.3	6¼	5	3½	3
(1987-88 = 100)	48.7	79.4	83.0	87.2	91.9	95.0	100.0	106.2	111.6	115.5	118.9

(1) Cash figures adjusted to 1987-88 price levels by excluding the effect of general inflation as measured by the GDP deflator.(2) See footnotes to Table 2.

Table 5 — Public Corporations[1][2]

£ million

	Latest estimates of outturn: 1987-88 outturn	1988-89 estimated outturn	Change '87-'88 to '88-'89	New plans: 1989-90 plans	1990-91 plans	1991-92 plans	Change from January 1988 white paper: 1988-89	1989-90	1990-91
FCO - Overseas Development Admin.	0	30	30	30	30	30	0	0	0
Min. of Ag. Fisheries and Food	2	20	20	20	0	0	0	0	-20
Department of Trade and Industry	-258	-210	50	-70	-50	-70	-110	80	100
Department of Energy	-347	-310	30	-740	-920	270	80	-100	-80
Department of Employment	5	0	0	0	0	0	0	0	0
Department of Transport	662	820	140	830	840	810	-220	-70	-40
DOE - Housing	-10	-60	-50	-10	20	70	-80	-90	-90
DOE - Other environmental services	-67	10	80	80	230	250	10	0	140
Department of Health	12	10	0	0	0	0	0	0	0
Scotland[3]	375	340	-40	350	220	460	-60	20	-10
Wales[3]	78	100	20	110	100	100	0	10	-10
Northern Ireland[3]	345	280	-60	310	310	320	-40	10	10
Chancellor's departments	-7	0	0	-10	-10	-10	0	0	0
Total[4]	820	1,020	200	900	770	2,220	-420	-140	10
of which:-									
Nationalised industries	268	400	130	-30	-400	980	-290	0	-10
Other public corporations	552	630	70	930	1,170	1,240	-130	-140	20

1 See footnotes to Table 2.

2 For nationalised industries and most public corporations the planning total includes their external finance. For nationalised industries' external financing Limits for 1989-90, see Table 6.

3 See footnote 2 to Table 3.

4 For nationalised industries to be privatised, provision is included in plans as follows: Water (England and Wales) up to and including 1989-90 and Electricity (England, Wales and Scotland) up to and including 1990-91. Precise external financing requirements will depend on the timing of reorganisation and privatisations. Excluding these industries, figures for the remaining industries are: 1989-90 £1260 million, 1990-91 £1120 million and 1991-92 £980 million.

EDUCATION

Science budget to rise by 16% next year to £20bn in 1990-91

THE DEPARTMENT of Education and Science issued the following statement after the Chancellor had sat down.

Mr Kenneth Baker, Education Secretary, today announced an addition of more than £300m over the next three years to previous spending plans for science in those years. The science budget in 1989-90 will be 16 per cent higher than the figure for 1988-89.

Commenting on the increase, Mr Baker said: "This substantial increase reflects the importance the Government attaches to basic and strategic science. We are making a massive new investment in British science."

The total increase in the Government's plans for expenditure on education and science in 1989-90 is £1,600m. This is an increase of nearly 9 per cent on plans for expenditure in 1988-89. Total planned expenditure on education and science is now over £19.5bn in 1989-90 rising to over £20.2bn in 1990-91.

Mr Baker also told the House of Commons that the new plans included:

- An extra £14m for equipment for basic science in Research Councils and universities to be spent immediately in 1988-89.
- Over £1,100m in 1989-90 for the new polytechnics and colleges sector which "should ensure that the new sector starts on a sound financial basis." In addition, £60m will be available to bring up to date the sector's equipment.
- An extra £4m next year for the Open University.
- More than £550m over three years for specific programmes in implementation of the Government's school and college reforms. These cover the introduction of the national curriculum and of financial delegation to schools and colleges.
- Planned local authority current expenditure in 1989-90 to exceed the Government's plans for expenditure in 1988-89 by more than 7 per cent.
- An increase in gross provision for capital expenditure on schools and colleges of nearly £100m in 1989-90 compared with previous plans for that year. This will allow for a continued programme of school improvements.

Commenting on the overall increase in the expenditure plans, Mr Baker said: "The major increase in plans for education and science demonstrates the Government's priority to improve education and to implement our reforms."

The following is the full text of a written Parliamentary answer by Mr Baker to a question from James Pawsey, MP for Rugby and Kenilworth, who asked if the Secretary of State would make a statement about the Government's plans for expenditure on education and science:

Public spending on education and science

1. As my Rt hon Friend the Chancellor of the Exchequer announced in his statement today, provision for education and science in 1989-90 will be £19,570m. This total is £1,600m or 8.9 per cent higher than the provision for 1988-89 made a year ago. Details of the main changes from the earlier plans are shown in the attached table.

2. The Government's spending plans include:

- The addition of more than £300m over three years for science;
- Over £1,100m in 1989-90 to provide a sound financial base for the new polytechnics and colleges sector;
- An addition of more than £100m over three years for the universities;
- More than £550m over three years for specific programmes supporting the implementation of the Government's school and college reforms; and,
- Planned local authority current expenditure up by £940m in 1989-90, or 7.2 per cent over plans for 1988-89.

Vote expenditure

Science

3. I am allocating an additional £308m to the Science Budget over the period 1989-90 to 1991-92 to strengthen the UK science base in higher education and the Research Councils. This substantial increase reflects the importance the Government attaches to basic and strategic science and its policy of redeploying resources to these areas from those nearer to the markets which are properly the responsibility of industry. As a special addition I am also allocating an extra £14m for urgently needed equipment for basic science in research councils and universities in 1988-89.

4. The Science Budget in 1989-90 will be £826m. This is an increase of 16 per cent over the provision made for science in 1988-89. The planning figures for future years will be £837m in 1990-91 and £863m in 1991-92.

5. I shall be making a further announcement shortly on the detailed implications of the settlement for science; and shall be inviting the Advisory Board for the Research Councils to advise me on the allocation of the money now available.

Polytechnics and colleges

6. The plans allow for current expenditure of £1,035m and capital expenditure of £84m in 1989-90 by the Polytechnics and Colleges Funding Council (PCFC). Provided that the polytechnics and colleges contain their costs and continue to improve their efficiency, this money should ensure that the new sector starts on a sound financial basis. It will sustain higher education and research in the institutions to be transferred next April to the PCFC sector, prescribed courses of higher education in colleges remaining with local authorities and certain payments to local authorities in respect of former staff of transferred institutions. Excluding additions for restructuring and inherited liabilities, the plans assume that funding will be held broadly level in later years.

7. Within the total of current expenditure, I have allowed for an earmarked restructuring fund of over £20m over three years to help institutions attain affordable levels of staffing; for an additional £44m over two years to deal with liabilities, for example for repairs and maintenance, inherited by the institutions; for the full estimated cost of some £35m each year for the new sector's liability for VAT; for the forecast increase in student numbers; and for £1.5m to support fund-raising initiatives in polytechnics and colleges. I have assumed that the selective initiatives already started in the sector will continue at broadly their present level.

8. I shall now seek the National Advisory Body's advice on the distribution of the recurrent grant between institutions. I shall pass that advice, together with any comment on it which I may wish to make, to the PCFC, to whom it will fall to take decisions early in the New Year.

9. Subject to further consultation with the PCFC about the distribution of the £84m available for capital expenditure, the plans include some £60m for the purchase of equipment by polytechnics and colleges, both for teaching and administrative purposes. This should allow polytechnics and colleges to make good progress with replacing out-of-date and unserviceable teaching equipment and to meet more effectively the new demands of corporate status. The remainder is for building work, including that in progress on Vesting Day.

Universities

10. The plans allow for an increase of over £100m in the funding over three years for the universities. Allowing for the completion in 1990-91 of the £155m three year restructuring programme agreed last year and some £20m provided for the associated continuing costs in 1991-92, in particular for new academic staff appointments, the additions provide for broadly level funding in real terms during the period. The total available in 1989-90 to the Universities Funding Council for recurrent grant will be £1,672m. This includes an addition of £8.5m to the university restructuring programme; £1.5m to support fund-raising initiatives within universities; and £3.1m to meet the continuing cost of implementing the 1988 increase in clinical academic pay. After allowing for these additions, the grant is some 5 per cent higher than the corresponding figure for 1988-89. The grant also includes provision of £71m linked to the pay settlement for academic and academic related staff announced on March 5, 1987: this funding will be made available provided that satisfactory progress is maintained on the arrangements for academic staff appraisal, probation and promotion.

11. In 1989-90, provision for the Open University will be increased by £4.2m, compared with previous plans; and an addition of £3.0m will be provided for the Computer Board.

Student awards

12. Provision for student awards allows for the forecast increase in the number of mandatory award-holders. Details of the new rates of award and revised contribution scales will be announced later. Provision is also made for the basic tuition fee for courses eligible for mandatory awards to increase from £578 to £607.

Education reforms in schools and colleges

13. I have set aside some £90m over the three years 1989-90 to 1991-92 for the development, introduction and monitoring of the National Curriculum and associated assessment arrangements including the cost of the National Curriculum council and the School Examinations and Assessment Council. In addition, I plan to support spending by local authorities over the same period. In 1989-90, I shall be supporting spending of £90m through Education Support Grants and £65m through in-service training grants on programmes related to the implementation of my reforms for the school curriculum and financial delegation to schools and colleges. My plans below for current and capital spending by local authorities allow for some further re-direction of resources in support of the implementation of my reforms.

Local authority current expenditure

14. The total provided for local authority current spending on education in 1989-90 in the Government's plans is £14,070m. This figure reflects an appropriate transfer of resources from provision for local authorities to enable the Government to provide funds for polytechnics and colleges transferring from local authorities. Allowing for this transfer, the provision is £940m or 7.2 per cent more than the plans for 1988-89 as set out in Cm 288. It represents the likely level of spending by local education authorities collectively, on the basis that they keep their costs within the level of cost increases in the economy as a whole. In addition, the education service will receive income from the Training Agency in respect of TVEI and work-related non-advanced further education in 1989-90. The total for determining the education component of the grant-related expenditure (GRE) has been set nearly 10 per cent above the equivalent level in 1988-89 or £330m lower than the total for expenditure provision.

Schools

15. The plans assume that local authorities will not reduce the pupil to teacher ratio below the existing record low level of 17:1. This will imply some reduction in teacher numbers as pupil numbers continue to fall.

16. The plans allow for substantial real increases in spending per pupil on education support staff, administrative and clerical staff and books and equipment, in support of the introduction of the national curriculum and local financial management. They also allow for substantial increases in spending on the repair and maintenance of school buildings.

Further and Higher Education

17. The student:staff ratio (SSR) in further education is assumed to tighten from 8.8:1 in 1987-88 to 9.4:1 in 1989-90 as local authorities and colleges make progress towards the national target SSR recommended by the Joint Efficiency Study conducted by my Department and the local authority associations. The plans should enable local authorities and colleges broadly to maintain levels of spending on non-teaching costs in further education. It is assumed that local authority institutions which offer higher education will continue to improve efficiency.

Administration

18. The plans allow for substantial real increases in spending on local authority administration and advisory services in support of the implementation of the education reforms.

Specific grants

19. Within the total of £14,070m, education expenditure supported by specific grants is expected to amount to some £500m in 1989-90. The Government will provide grant of some £81.5m in support of expenditure of £135.5m under the 1989-90 Education Support Grants Programme; and up to £214m of expenditure by local authorities on staff development will be supported under the in-service training grants scheme. The Government will also support spending on education through Section 11 grant for Commonwealth immigrants and the Urban Programme.

Local authority and voluntary school capital expenditure

20. Capital allocations to LEAs in 1989-90 will be £352m, broadly at the same level as in 1988-89 after allowing for the transfer of polytechnics and colleges. Local education authorities will also benefit from increased spending power from capital receipts. In consequence, gross provision for capital expenditure by local authorities and voluntary schools has been increased by £95 million or 17 per cent in 1989-90, compared with previous plans for the same year.

21. The new provision will allow for new school places in areas of population growth, continuing progress with the removal of surplus places and sustained spending on equipment in the local authority maintained further education colleges. Additionally local authorities and voluntary bodies should be able to continue the programme of school building improvements begun in 1988-89. This will help schools to provide for the introduction of the national curriculum.

PUBLIC EXPENDITURE

Housing outlay to rise by 12% to £441m

THE Department of the Environment issued the following statement after the Chancellor had sat down.

Mr Nicholas Ridley, Environment Secretary, gave details of his department's public expenditure plans for the next three years.

Key points are:

- Gross provision for housing capital expenditure in 1989-90 will be £441m (12 per cent) higher than previously planned.
- Gross annual expenditure by the Housing Corporation is to rise to £1.328bn by 1991-92, 80 per cent above this year's estimated outturn.
- Allocations to local authorities to revitalise estates under the apartment's Estate Action programme will rise by 36 per cent to £190m next year.
- Housing capital receipts, mainly from the right to buy, are expected to be well over £3 bn a year.
- Planned resources for Urban Development Corporations will be increased by £37m next year and by £44m in 1990-91.
- City Grant for inner city development will rise to £75m in 1991-92, compared with £34m this year.

Making the announcement, Mr Ridley said:

My Rt hon friend, the Chancellor of the Exchequer has today announced the Government's public expenditure plans for the next three years. The tables give details of the major changes in my department's programmes.

I have been able to provide for significant increases in the planned levels of gross expenditure, particularly for housing, the inner cities and the environment. Due to the success of our policies, there has been an even greater increase in receipts, allowing net expenditure to be reduced.

Housing

I have substantially increased planned gross provision for housing capital expenditure in 1989-90. At £4,208m this will be £441m (12 per cent) higher than previously planned. Over the next three years planned public investment in housing now totals nearly £12bn.

I plan to increase the output of subsidised rented housing for those on lower incomes. New subsidised housing will increasingly be provided by housing associations. Gross expenditure by the Housing Corporation is planned to rise to £1,328m by 1991-92, 80 per cent up on the estimated outturn for 1988-89. At the same time I expect an increase in the amount of private finance raised by housing associations under the mixed funding arrangements we have introduced. Taken together these developments should greatly expand housing association output.

Local authorities increasingly concentrate their capital expenditure on renovation of their own stock, and on grant aid to private owners of run down housing. I support these priorities.

Provision in 1989-90 for local authority capital spending is being increased by £395m to £3,308m, an increase of 13.5% on previous plans.

The level of housing capital receipts is now expected to rise to well over £3bn in each of the next three years. This reflects the continuing success of the Government's right to buy policy. As local authority spending power from receipts increases, the borrowing consent represented by capital allocations declines in importance. For local authorities as a whole basic Housing Investment Programme allocations next year (including Homes Insulation Scheme allocations) will be set at 80 per cent of the level this year.

I shall make additional allocations, targeted on schemes to revitalise run down local authority estates under the Department's Estate Action programme, of £190m — an increase of 36 per cent.

In addition the overall level of spending proposed for Housing Action Trusts for their first three years of operation in revitalising major concentrations of former local authority housing is now set at nearly £200m.

Housing investment by New Towns is increasingly focused on the servicing of sites for development by the private sector.

Other environmental services

My department's inner cities programmes remain a very high priority, and I have increased total provision for 1989-90 and 1990-91 to £548m and £572m: nearly £1.7bn will be spent on these programmes over the next three years.

As *Action for Cities* made clear, the key to successful regeneration is partnership between the public and private sectors. The Urban Development Corporations are having considerable success in attracting private sector investment into their areas. In addition to the increase for the current year announced yesterday, I am increasing planned resources for the UDCs by £37m in 1989-90 and £44m in 1990-91. Total resources for the UDCs will now exceed £250m in each of the next three years.

In addition the new UDCs set up this year will be able to call on City Grant provision which I am also increasing significantly. Some £200m of City Grant and its predecessors, Urban Development and Urban Regeneration Grants, have so far levered more than £800m of private sector investment into the inner cities. To build on the momentum already achieved, I am increasing City Grant resources by £23m in 1989-90 and £28m in 1990-91. By 1991-92 I plan expenditure on City Grant of £75m a year, compared with £34m this year.

Provision for the Urban Programme and Derelict Land Grant will amount to well over £200m a year.

I am providing additional resources for the Countryside Commission, particularly for their tree planting programme to repair the damage of last year's storm, and for the Groundwork scheme. I am also providing modest increases for the Nature Conservancy Council and the Sports Council.

My department's environmental research programme will be increased by £2.5m in 1989-90 and 1990-91. The additional provision will support in particular research into the North Sea marine environment, contaminated land and climatic change.

Planned expenditure on the heritage will increase by £8m in 1989-90 and £11m in 1990-91. In particular I am providing additional resources for English Heritage's programme of historic church repair grants.

Provision for gross capital expenditure by local authorities in 1989-90 on local environmental services has been increased by £192m to £819m. This includes an additional £138m to enable local authorities to prepare for the implementation of the community charge, as I announced on October 21.

The National Rivers Authority will take over the water authorities' regulatory responsibilities for the water environment in Autumn 1989, which will make for much better control after the privatisation of water supply and sewerage functions. £40m has been allocated to the NIA in 1989-90 and £71m in 1990-91. Increased receipts from direct charges will reduce the NIA's need for the apartment's support to £65m in 1991-92.

The nine English Regional Water Authorities will continue to require external finance in 1989-90. Provision of £10m has been made, but their requirement will depend on the precise timing of the establishment of the National Rivers Authority and privatisation during 1989-90.

Investment by the RWAs has increased in constant price terms by over 50 per cent since 1980-81 and is currently running at £1.1bn. Further growth is now assured to improve water and sewage treatments to speed compliance with UK and EC legislation and to renew underground assets.

Property Services Agency

PSA's civil accommodation programme is planned to increase by a net £28m in 1989-90 and £16m in 1990-91 compared with previous plans. Extra spending of £84m and £115m will be offset by increases in capital receipts from disposals, in rents and in payments by other Departments through the Property Repayment Services system.

Overall local authority expenditure, England

For 1989-90 I have announced provision for local authority current expenditure of £29,140m. This represents an increase of 4.8 per cent above local authorities' budgets this year and is a cash increase of £1.4bn on the figure shown in the Public Expenditure White Paper (Cm 288).

I have also proposed that aggregate Exchequer grant should be £13,575m; this is an increase of about £1.1bn on the amount of grant likely to paid in 1988-89. (These figures for provision and grant are after adjusting for the transfer of the polytechnics from local authorities to the Polytechnics and Colleges Funding Council from April 1, 1989).

Under the provisions of the Rate Support Grants Bill, which was introduced on October 20, 1988, it is intended that in 1989-90 an authority's block grant entitlement will not vary with its actual expenditure: the amount of grant will therefore be paid in full. I intend to issue a Consultation Paper setting out full details on my proposals for next year's settlement later this month.

The provision for capital expenditure by local authorities in England in 1989-90 (other than that falling within specific cash limits) has been increased by £798m, an increase of 16 per cent on previous plans. The increase is offset by increased housing capital receipts of £1,575m, which are largely attributable to the continued success of the right to buy, and increased receipts of £335m from other sources (education, transport, personal social services, and local environmental services).

Capital allocations for 1989-90 will amount to £2,496m. Local authorities may supplement their allocations by the prescribed proportion (20 per cent for housing and 30 per cent for other receipts) of their accumulated and in-year receipts and certain other sources. Their total spending power in 1989-90 will at £7.5bn be nearly 15 per cent greater than the corresponding figure for 1988-89.

Table 7 — **Public expenditure by department, 1978-79 to 1991-92***

£ billion	1978-79 outturn	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 outturn	1988-89 outturn*	1989-90 plans	1990-91 plans	1991-92 plans
Ministry of Defence	7.5	14.4	15.6	17.2	18.0	18.2	18.9	19.3	20.1	21.2	22.1
FCO- Diplomatic wing	0.3	0.5	0.5	0.6	0.6	0.6	0.7	0.8	0.8	0.8	0.8
FCO- Overseas Development Administration	0.8	1.0	1.2	1.2	1.2	1.3	1.3	1.5	1.5	1.6	1.7
European Communities	0.8	0.8	0.8	1.00	.8	1.1	1.7	1.0	2.0	1.9	1.8
Ministry of Agriculture, Fisheries and Food*	0.8	1.8	2.0	2.0	2.4	1.8	2.0	1.9	1.9	2.2	2.4
Department of Trade and Industry	1.8	1.9	1.5	1.8	1.5	2.1	0.7	1.7	1.4	1.3	1.2
Export Credits Guarantee Department	0.4	0.3	0.3	0.5	0.3	0.3	0.2	0.1	0.2	0.1	0.1
Department of Energy	0.6	0.9	1.1	2.8	0.7	-0.2	0.2	0.2	-0.2	-0.5	0.6
Department of Employment	1.1	2.4	2.9	3.1	3.4	3.9	3.9	4.1	4.0	4.0	4.0
Department of Transport	2.6	4.3	4.3	4.8	4.6	4.7	4.8	4.8	5.4	5.5	5.7
DOE Housing	3.6	2.7	3.2	3.3	3.0	2.8	2.7	2.1	1.7	2.0	2.4
DOE- Other environmental services*	2.3	3.6	3.8	4.0	3.9	4.0	3.6	4.4	4.5	4.6	4.7
Home Office	1.9	3.8	4.1	4.7	4.7	5.1	5.7	6.3	6.9	7.2	7.4
Legal departments*	0.2	0.4	0.4	0.5	0.6	0.7	0.8	1.0	1.1	1.2	1.2
Department of Education and Science	7.7	12.7	13.4	13.9	14.4	15.7	17.1	18.4	19.6	20.2	20.8
Office of Arts and Libraries	0.3	0.6	0.6	0.7	0.7	0.8	0.9	1.0	1.0	1.0	1.1
Department of Health	7.4	13.9	14.7	15.8	16.6	17.9	19.7	21.7	23.2	24.4	25.4
Department of Social Security	16.4	32.5	35.2	38.1	41.5	44.4	46.2	47.6	51.0	55.3	58.7
Scotland	3.9	6.5	6.8	7.1	7.2	7.7	8.1	8.7	9.0	9.1	8.7
Wales	1.5	2.5	2.6	2.7	2.8	3.1	3.3	3.6	3.8	3.9	4.0
Northern Ireland	2.2	3.6	3.8	4.1	4.4	4.8	4.9	5.2	5.5	5.7	5.9
Chancellor's departments	1.4	2.8	2.5	2.8	2.8	3.2	3.4	3.7	4.1	4.3	4.5
Other departments	0.4	0.6	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.3	0.3
Reserve									3.5	7.0	10.5
Privatisation proceeds		-0.5	-1.1	-2.2	-2.7	-4.5	-5.2	-6.0	-5.0	-5.0	-5.0
Adjustment								0.3			
Planning total	65.7	113.0	120.4	129.2	133.8	139.3	145.7	153.6	167.1	179.4	191.8
General government gross debt interest	7.4	13.9	14.5	16.1	17.7	17.8	17.5	17.7	17.0	16.0	15.5
Other national accounts adjustments	1.8	5.2	5.5	4.7	6.7	7.5	8.2	8.5	9.5	9.5	9.0
General government expenditure (excluding privatisation proceeds)	75.0	133.1	141.6	152.8	160.9	168.9	176.7	186.9	196.7	210.0	221.0

* see footnotes to table 2 Estimated

HEALTH

Resources growing faster than overall expenditure

THE DEPARTMENT of Health issued the following statement after the Chancellor had sat down.

Mr Kenneth Clarke, the Secretary of State for Health, said: Next year, in England alone, our health service will have an extra £1.8bn to spend on services.

We are making available an extra £1.6bn. On top of that, if health authorities do no more than they have achieved in recent years, there will be further cost improvements of £150m, while an extra £25m is forecast from income generation schemes.

Taken together, this means extra resources of £1.8bn over and above the level of expenditure in 1988-89. This is the equivalent of a cash increase of 9¼ per cent, or 4½ per cent extra after allowing for inflation. This is also 4¾ per cent on top of what is needed and is provided to pay for the continuing costs of this year's Review Body awards.

This is clearly a quite spectacular boost to health spending. It underlines yet again the continuing and growing priority that this Government has given to the NHS. The resources available for health are growing much faster than overall public expenditure — and faster than the growth of the economy as a whole.

The extra resources that we are giving the NHS next year will ensure that health services continue to improve and expand beyond the higher levels of service already achieved.

The Chancellor has proved yet again that it is by encouraging an efficient society that this Government has been able to pay for a just one.

But, of course, getting the Health Service to deliver the care that patients want is not merely a matter of more money. It becomes even more important to ensure that we get every last penny of value out of these colossal sums we are pumping into the NHS.

We now have to concentrate on improving our health service and on bringing all parts of the service up to the standards of the best.

I am determined to ensure that this new money is used for the benefit of patients. No-one in the NHS should believe that the new funds can be used to avoid difficult decisions or to relax in the search for greater efficiency and cost improvement.

In 1989-90 spending on the NHS in England will increase to £19.7bn. The Health Service will also keep nearly £300m a year as a result of reductions in employers' superannuation contributions, announced yesterday.

The extra cash we are putting in, together with continued improvements in Health Service efficiency, will enable services to be expanded by significantly more than is necessary to take account of the growing numbers of elderly people, while enabling health authorities to plan to bring their income and expend into balance. The increase announced yesterday also means:

- More money for hospital building and maintenance. Net capital spending will be 10 per cent higher next year than this. On top of that, we expect income from land and property sales to continue increasing. So the health capital programme is planned to increase to £1.2bn next year compared with the £1bn originally planned for this year;
- An extra £68m next year for prevention, care, and treatment of AIDS; this more than doubles the present provision, making a total of nearly £130m;
- Extra cash — £12m next year — for nurses' training. This means we can get on with implementing Project 2000.
- Primary care will continue to develop and expand with an extra £320m available for family practitioner services in 1989-90.

In addition to this increase in Health Service spending we are providing new specific grants for the personal social services — to support local authority spending on the training of social services staff working with children, and on social services for people with AIDS.

This increase in our spending plans provides a sound basis for my policy of continuing to modernise and improve the National Health Service so that it is ready to meet the needs of Britain in the 1990s.

EMPLOYMENT SPENDING

Fowler says £4bn programme is 60% above 1978-79 total

THE Department of Employment issued the following statement after the Chancellor had sat down.

Mr Norman Fowler, Secretary of State for Employment, said: Total planned provision for the Department of Employment Group will be £4.02bn in 1989-90. Most of this expenditure is on programmes to help young people and the unemployed to find work through training and in other ways.

Over the last 10 years there has been a massive increase in the Government's expenditure on its employment and training programmes: the total expenditure of £4.02bn on these programmes in 1989-90 will be 60 per cent higher in real terms than expenditure in 1978-79.

Unemployment has now fallen for 26 months in succession, the largest continuous fall since the war. In the last 12 months alone, unemployment has fallen by over 500,000, and we now have our lowest unemployment level for more than 7 years. We have also had a record fall in long-term unemployment, with a reduction of 290,000 in the last year bringing the current total to less than 1m for the first time in 5 years.

These substantial reductions in unemployment are being accompanied by a rapidly improving labour market: we estimate that there are about 700,000 job vacancies throughout the country.

The major priority now must be to assist people to obtain the skills they need to return to work. Our plans include provision of £1.4bn a year for the new employment training programme, which provides up to 12 months training for longer-term unemployed people.

The new programme has got off to an excellent start, with over 150,000 people declaring an interest in it and being referred to training agents in the first seven weeks and more than 60,000 people already being trained by training managers. ET will give longer-term unemployed people the opportunity to learn new skills and to improve their prospects of getting jobs.

Our plans also include expenditure of around £1bn a year on YTS, which provides young people with the skills they need on entering the labour market. The composition of the labour force is currently undergoing major changes: the number of 16–19-year-olds will fall by nearly 1m in the next 7 years.

At the same time, more of the 16- and 17-year-olds are staying on at school and college, and, as we have said many times, employers must progressively assume greater responsibility for training young people in the skills they need. With fewer young people and increasing profitability they are well able to do so.

Some reduction to our planned expenditure on YTS is therefore expected but our guarantee of an offer of a place on YTS to all school-leavers under 18 who do not go into employment will continue to be met.

Similarly, the rapid fall in unemployment is reducing the demand for places on the Enterprise Allowance Scheme. We have therefore adjusted the financial provision for the scheme, so as to allow for over 90,000 entrants a year.

UK NEWS — THE AUTUMN STATEMENT

LAW AND ORDER

More prison places and police manpower

THE Home Office issued the following statement after the Chancellor sat down.

The Chancellor's statement announces additional provision to allow for the following developments:

- Creation of 3,000 prison places over the next three years in addition to the existing building programme;
- A programme to reduce pressure on prisons, including new bail hostels and the development of more intensive forms of probation, intended to save about 1,000 prison places;
- An increase of 1,100 in police manpower establishments in 1989-90 and for over 1,300 more civilians, so releasing officers for operational duties;
- Improved levels of service to the public in the Immigration and Nationality Department;
- Improved enforcement of immigration laws.

These developments will be made possible by the following increases in provision for Home Office services: 1989-90, £610m, 1990-91, £760m, bringing the totals to £6,900m for 1989-90 and £7,220m in 1990-91, and with £7,390m provision for 1991-92.

But there are also increases in receipts, offsetting savings and substantial improvements in efficiency. And the search will continue for value for money in Home Office services.

Prisons

For the second year running the settlement includes substantial additions to the baseline for the Prison Service, amounting to £240m in 1989-90, and £350m in 1990-91. Set against baselines of £900m in each of these years this represents an average increase of 33 per cent.

The extra provision in the settlement will allow for the further expansion and acceleration of the prison building programme, enabling an additional 3,000 places to be produced over and above the 7,000 already planned in the next three years.

It represents further evidence of the Government's determination to cope with an increasing prison population and to alleviate overcrowding.

Additional money will also be used to provide the staff and other resources needed as a consequence of the additional places, taking into account planned efficiency savings arising as a result of Fresh Start and other initiatives.

Diversion from prison

In tandem with the prison building programme, a package of measures is to be implemented to reduce the pressure on prisons. They include:

- 500 additional places in bail hostels for people facing trial who might otherwise be remanded in custody because of lack of fixed address.
- 20 new bail-information schemes to ensure courts have all information relevant to the decision whether to grant bail.
- Development of more intensive forms of probation, as proposed in the green paper Punishment, Custody and the Community, including provision for 30 new day centres.

It is hoped that, together, these measures will reduce demand on prisons by about 1,000 places in 1991-92.

Police

Provision is made for increases in police establishment of 1,100 in 1989-90, together with substantial civilian recruitment.

This represents an increased rate of growth in the final year of the police manpower programme announced by the Home Secretary in 1986. A fresh programme of substantial increases will follow for 1990-91 onwards.

Additional police posts are needed particularly to deal with demands imposed by problems of public order, drugs and terrorism.

In addition, civilianisation is being pursued because it frees uniformed officers for operational duties.

The provision will allow police officer establishments to rise to an average of 125,650 in 1989-90 and average civilian strength to rise to 43,740.

Provision is also made for improvements in police training including the introduction of a new-style course for probationer officers.

Immigration and Nationality Department

There are substantial increases in provision for the Immigration and Nationality Department.

Together with improvements in efficiency, including higher productivity and streamlined working methods, this will allow for extra staff to improve levels of service to the public by eliminating or much reducing existing backlogs.

Specifically, it is planned to deal with all citizenship applications in the transitional registration category by the end of 1989-90, and substantially reduce arrears of after-entry immigration casework.

A major programme is also planned on immigration enforcement, intended to increase substantially the number of offenders and overstayers brought to book. Efficiency improvements should ensure that this is increased without a corresponding increase in manpower.

There is also provision for additional manpower for the forensic science services and the fire and police inspectorates, and for civil defence, action against drugs and fire-precautions publicity.

Extra £370m over next two years for building programme

THE HOME Office issued the following statement after the Chancellor had sat down.

An extra £370m over the next two financial years to allow for the further expansion and acceleration of the prison building programme is included in this year's public expenditure settlement.

The settlement will enable an additional 3,000 places to be produced over and above the 7,000 already planned in the next three years. It represents further evidence of the Government's determination to cope with an increasing prison population and to alleviate overcrowding.

The additional places will be provided through a combination of new prisons and additions to existing establishments and taken together with the existing programme, will result in over 25,000 new places being made available by 1995. Of those, 17,000 should be in use by 1993, and some significantly earlier than that. About 6,000 new places have already been provided since 1979.

New Prisons

Eight new prisons have already opened, and another 18 are at various stages of planning, design and construction. At least two further prisons will be provided from the new money available which may also be used to finance some purpose-built remand centres.

Expansion of Existing Prisons

Work already in progress to provide new places at existing establishments includes the construction of ten 100-place houseblocks at Dover, Featherstone, Littlehey, Glen Parva (two), Full Sutton (two), New Hall, Stocken and Wayland.

Refurbishment and Redevelopment Schemes

The programme includes capital projects at other existing Victorian establishments. Many of those schemes involve refurbishment and modernisation of living accommodation, including the provision of integral sanitation, as well as the provision of extra places.

COURTS

Increased provisions to reduce waiting lists

THE Lord Chancellor's Department issued the following statement after the Chancellor had sat down.

The Chancellor of the Exchequer's Autumn Statement today includes the provision for the programmes administered by the Lord Chancellor's Department.

The figures represent net increases of £30m and £40m a year over previous plans for 1989-90 and 1990-91 respectively.

They reflect increased provision for both court services and legal aid in England and Wales. This demonstrates the Government's commitment to the law and order programme in the face of continuing growth in all areas of business. Current plans are based on expected increases in workload of approximately 6 per cent a year in the crown court and 3 per cent in the civil courts.

The overall objective in the crown court is at least to stabilise and, if possible, reduce waiting times. In the civil courts targets have been set for time taken to deal with different areas of administrative work. The achievement of these objectives is dependent upon continuing productivity increases in both the criminal and civil courts and the implementation of initiatives such as the civil justice review, one of whose objectives is to achieve greater efficiency and effectiveness in the handling of civil business.

This provision also reflects the Lord Chancellor's responsibility for capital spending on court building. The main thrust of this will be on the provision of sufficient courtroom accommodation to help achieve his objectives. About 65 additional court rooms are planned for the survey period.

The provision for legal aid expenditure which represents over two-thirds of net expenditure takes account of growing workloads. It covers expenditure on criminal and civil legal aid, legal advice and assistance and the duty solicitor schemes. A new legal aid board will take over responsibility for the administration of legal aid from the Law Society with effect from April 1 1989.

N Ireland spending to rise

THE NORTHERN Ireland Office issued the following statement after the Chancellor had sat down.

The public expenditure plans published by HM Treasury show that the provision for the Northern Ireland programme has been set at £5,470m in 1989-90, at £5,690m in 1990-91 and at £5,910m in 1991-92.

These compare with the forecast outturn of £5,170m for 1988-89 and provide for increases over previous plans of £140m and £180m for 1989-90 and 1990-91 respectively.

TRANSPORT

Extra investment to meet higher demand

THE Department of Transport issued the following statement after the Chancellor had sat down.

Mr Paul Channon, Transport Secretary, said: Increased investment is the keynote of our public spending plans for transport. Our policies have brought steady economic growth and rising prosperity. This means increased demand for transport. More people are travelling by rail, metro and bus, more are taking to the roads, and civil aviation is expanding. We must invest in our transport infrastructure to cater for this demand, and to promote future economic growth.

National roads

We plan to spend nearly £3bn over the next three years on building and improving motorways and trunk roads. After allowing for the application of VAT to new construction from April 1 1989, this represents an increase of 40 per cent on our spending in the previous three years to March 1989. Another £1.3bn will be spent on road maintenance.

This very large increase shows our determination to press ahead with our new construction and maintenance programmes to cater for growing traffic demand and stimulate future economic development.

Over 40 new schemes, including 18 bypasses, will be started next year, amounting to over 200 miles of new roads. We have released £20m from the reserve for maintenance work this year and we are putting in extra resources for the next three years to ensure that we can resume progress towards our target of eliminating the maintenance backlog by 1992. We are also increasing resources for bridge renewal and strengthening to cater for today's growing volume of traffic.

Local roads, public transport and airports

Our plans over the three-year period allow for local government to increase its investment on roads, public transport facilities and airports by well over £100m. Included are new local roads to improve access to the Channel tunnel and to aid inner-city regeneration, the new Manchester Metrolink and terminal expansion at Manchester and Birmingham airports.

The plans for local authority current expenditure include £27m for starting a new programme to strengthen local road bridges. This is on top of a 5.8 per cent increase for road maintenance over local authorities' budgets for 1988-89, which reflects the Government's view that they should get on with implementing the Audit Commission's recommendations for improving the condition of local roads.

British Rail

Buoyant travel demand and improved efficiency have enabled British Rail to plan to increase investment next year by over £200m, with further increases to follow, while reducing their requirement for external finance to £439m. This represents a saving of £314m on this year's level. Altogether BR plans to invest some £2.8bn over the next three years. This means steadily improving service quality and reliability for passengers, and a brighter business future for the railways.

London Regional Transport

LRT is also attracting record levels of passenger demand and plans to invest £486m in 1989-90 – up by a third on this year's level. LRT's programme includes safety improvements, a massive modernisation of the Central Line and measures to reduce congestion in central London. Over the next three years, LRT plans to invest nearly £1.5bn on improving public transport services for London.

Civil Aviation

To meet the growing demand for air travel, the Civil Aviation Authority has increased its civil aviation investment programme over the next three years by nearly two thirds, to £308m. This will pave the way for a much-needed increase in air traffic handling capacity.

COLONIAL SERVICE PENSIONS

Increase in benefits for up to 6,000 ex-officers

THE Overseas Development Administration issued the following statement after the Chancellor had sat down.

Sir Geoffrey Howe, the Foreign Secretary, said: The Government announced that following the Autumn Statement on Public Expenditure, up to £6m a year is to be made available for Colonial Service pensioners.

This new assistance will benefit those officers who joined the Colonial Service immediately after the Second World War. As many as 6,000 of these pensioners will be eligible for an enhancement to their pensions, financial provision having been made under the Overseas Superannuation Vote administered by the Overseas Development Administration.

I am absolutely delighted that this longstanding problem has now been resolved. I know that it has been of considerable concern not only to the pensioners themselves but also to many Members of Parliament.

This new provision means that the pensioners will benefit by being able to count their War Service towards their Colonial Service pensions.

The new arrangements come into effect from April 1 1989.

WOODLANDS

Research to cost £2.4m

THE Ministry of Agriculture issued the following statement after the Chancellor had sat down.

Mr John MacGregor, Minister of Agriculture, has announced a programme of new research on farm woodlands to cost £2.4m in 1988-89, a fourfold increase on the 1987-88 figure of about £600,000.

Speaking on behalf of the three Forestry Ministers, Mr MacGregor, said: The farm woodland scheme, which I announced earlier this year, will involve farmers in some untried techniques and will inevitably also raise environmental issues different in character to those of traditional forestry.

We therefore asked the forestry research co-ordination committee to identify a number of promising fields in which to commission studies.

In particular we need to know more about the breeding and selection of plants, the establishment and maintenance of farm woods, their protection from animals and diseases and the conservation and management of fauna and flora and effects on soil and water.

A variety of sponsors are expected by the committee to spend in the order of £2.4m in 1988-89, of which about £1m is attributable to my department's research budget. Other sponsors will include the Forestry Commission, the Department of Agriculture and Fisheries for Scotland, the Welsh Office Agriculture Department, the Department of the Environment, the research councils and other agencies.

CAP savings '£400m'

THE Ministry of Agriculture issued the following statement after the Chancellor had sat down.

Savings averaging £400m a year have been achieved through major reform of the common agricultural policy of the EC and partly as a result of the drought in North America and the low UK harvest. This is the second year running that planned expenditure has been cut.

Extra government funding of more than £25m a year is being provided for a long-term programme of flood prevention works. More money is to be directed into basic and "public good" research instead of near-market research and development, which is of direct benefit to industry.

The Agricultural Development and Advisory Service (ADAS), which now has more than 55,000 customers, is to be set a new target of achieving 50 per cent recovery of the cost of its advisory services by 1993-94.

TOWARDS A SINGLE EUROPE

The Financial Times proposes to publish this survey on:

17 November 1988

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Anxiety for academics

A SHARP RISE in the science budget and continued growth of local authority current spending underlie increases in the amount allocated to education and science, announced by the Government yesterday.

However, spending on the universities is forecast to stand still in real terms, which could fuel mounting dissatisfaction among academics.

The budget for education and science in 1989-90 now stands at £19.57bn. This is about 6.4 per cent up on the expected final figure of £18.4bn for 1988-89, which itself represents a £500m over-spend on the estimates announced for this year in the 1988 public spending White Paper.

Mr Kenneth Baker, Education Secretary, said: "We have got a good deal for education next year."

However, Mr Jack Straw, Labour's education spokesman, criticised next year's plans as representing a standstill in real terms compared with this year's expected outturn, because of rising inflation.

An extra £100m is to be spent on science projects in each of the next three years. This represents a 13 per cent increase in the planned science budget for next year to £825m, reflecting what Mr Baker described as the importance attached by the Government to basic science.

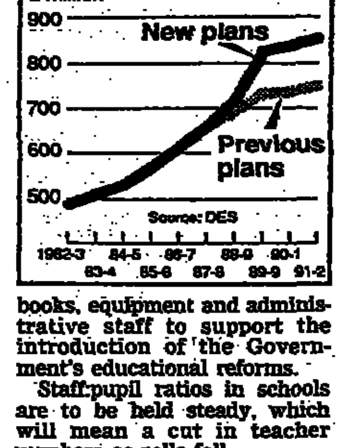
He said he would announce shortly the detailed allocation of this extra money, but indicated that one priority was for extra environmental research on areas such as the ozone layer. An extra £14m is to be spent immediately on equipment for basic science.

Local authority current spending on education is forecast to increase by 7.2 per cent to £940m next year, including an assumed 5.1 per cent increase in the school pay bill. The Government says this will allow more to be spent on books, equipment and administrative staff to support the introduction of the Government's educational reforms.

Science budget

Increase over previous plans

£ million



Staff:pupil ratios in schools are to be held steady, which will mean a cut in teacher numbers as rolls fall.

An extra £39m, or 9 per cent, is being made available for local authority capital spending, which ministers believe will help to tackle the backlog of work on inadequate school buildings.

The polytechnics, due to become independent of local government, have been given £1.12bn for next year, a 16 per cent increase, after which their funding is forecast to remain stable. More than £20m is allocated over three years to help reduce their staffing and £60m is earmarked for equipment.

At the universities, however, current and capital spending is forecast to grow next year to £1.81bn at the rate of 5.4 per cent, broadly in line with inflation.

This amount, which is intended to cover next year's university pay settlement, could result in discontent among university lecturers, since their union is already angry about the failure to award dons a pay increase in the current financial year.

David Thomas

The vanishing mountain

REFORMS to the European Community's common agricultural policy, together with the effects of the US drought, are expected to bring substantial savings to spending on agriculture.

The savings over earlier forecasts are expected to amount to £300m in the current year, £420m in 1989-90 and £400m in 1990-91 on total agricultural budgets of £2.2bn, £2.24bn and £2.44bn respectively. The newly published figure for the 1991-92 farm budget is £2.62bn.

By far the larger part of the savings are to come from that part of the Ministry of Agriculture, Fisheries and Food's budget which is ultimately paid for from Brussels.

According to Mr John MacGregor, Minister of Agriculture, the savings are principally due to reform of the EC regime covering cereals, as well as decisions taken over the last four years which have substantially cut both milk production and dairy surpluses.

Mr MacGregor said in an interview yesterday that the £300m cuts expected this year were almost entirely due to the lower than forecast levels of purchases into public storage of cereals and dairy products. It was now clear that the food mountains which built up in the early 1980s were vanishing, he said.

However, he also acknowledged that the US drought, by driving up cereal prices on world markets and thus cutting the amount of subsidy Brussels has to pay to make EC exports competitive, is also an important factor.

However, yesterday's statement shows that the domestic farm budget will increase over the next three years by some £40m. This is partly because of a planned new £20m-£25m programme to rebuild the 40-year old flood defence works on the east coast and partly because such programmes as establishing environmentally sensitive farming areas are proving more expensive than originally forecast.

The Autumn Statement for the first time confirms that controversial cuts in what the Government terms near-market agricultural and food research will amount to something over £30m by 1991-92. This is in addition to reductions amounting to some £65m which have been working their way through the system since 1985. Together they could effectively halve the farm R&D budget.

The cuts have caused consternation in the farming industry but the Government hopes that industry will fund some of the abandoned projects. Most of the savings will go to meet the increase in the science programme also announced yesterday, although "strategic" agricultural research, including the environment, biotechnology and animal and plant health, will have an extra £7m over the next four years.

Bridget Bloom

Record receipts

THE SALE of British Steel could raise £1bn in 1988-89, pushing total Government privatisation receipts for the year to a record level.

The Autumn Statement raises the forecast for privatisation proceeds in 1988-89 to £6bn from the £5bn predicted in the budget.

The extra is accounted for entirely by the British Steel sale. This is expected by analysts to raise about £2.5bn spread across two financial years. In 1987-88 the Government raised £5.2bn through privatisation proceeds.

The £1bn expected this year from British Steel suggests that if the two installments are split equally the total raised may be less than analysts previously thought.

However, no decision on the exact division between financial years has been announced. In addition the forecasts are rounded numbers and about 3 per cent to 4 per cent of the total sum raised could be accounted for by costs of organising the sale.

Even before details of the sale were announced, revenues from privatisation were approaching the £5bn Budget forecast. Money has been raised from the sales of British Gas, BAA, British Petroleum and British Telecom.

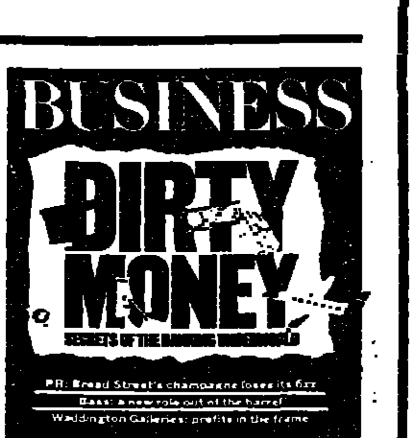
For the financial year 1989-90 the Government has again set a forecast of £5bn from privatisation sales.

Ralph Atkins

Q. WHY IS A BOMBAY BUS TICKET WORTH $10,000?

A. HAWALA

Among the world's banking networks is one so secret it has no address, no records, no controls.
But your corner shop may be part of it.
This month, BUSINESS investigates how Hawala, India's money laundry, is now being hijacked by international crime.
Also, why a former Co-op shelf-filler is souping up US supermarkets, how Bass is fermenting a leisure empire, timely advice on pension plans, the discreet charm of the Costa del Sol and the problems facing ageing studs.



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UK NEWS – THE AUTUMN STATEMENT: Analysis

Economic Forecasts

A plea for fallibility

MR NIGEL LAWSON, the Chancellor, in one of the more memorable segments of his recent television interview with Mr Brian Walden, said he always issues a "health warning" with the forecasts of the economy that parliament insists he makes.

"You can never predict very accurately . . . how the economy is going to develop in the short term," he said, adding that it was "neither here nor there" if they were wrong.

Others, especially those in industry and City, may well want to disagree with this cursory dismissal (although all would agree with the analysis appended to Mr Lawson's economic statement on the parlous state of official statistics). The ink was barely dry on his Budget forecasts for the economy before Mr Lawson began piecemeal to let it out that he had got it wrong.

He was in good company. Most of the forecasters in the City had accepted the Budget judgment. Curiously, many of those recently howling loudest about Mr Lawson's shortcomings have alarmingly short memories when it comes to their own forecasting abilities.

However, as Mr Lawson reminded the Commons yesterday, he is required to make forecasts. The one he produced shows that he comes from the "crash through, or crash" school of economic forecasting. It paints a most optimistic outlook for the British economy and is built on faith that there really has been a productivity and supply-side "miracle" in the UK during his chancellorship.

Growth this year of 4½ per cent slows to 3 per cent next year; domestic demand growth halves from 6 per cent this year to 3 per cent next; inflation, which ends the year at 6¼ per cent, ends 1989 at 5 per cent and continues to fall in the years ahead; unemployment continues to fall; and there is a remarkable turnaround in export performance and an equally dramatic drop in imports.

This is a forecast for a "soft landing" of the economy that few outside government circles, even its friends in the City, could produce. For the economy to turn out this way, three things have to happen:

- Interest rates will have to work in cooling domestic demand (and it appears as if the Treasury has assumed only a small fall in mortgage interest rates in 1989).
- Exports will have to pick up once domestic demand growth moderates.
- Pay settlements will have to remain at current levels in the face of a worsening outlook for inflation.

All these may happen, but the risks are that interest rates will have to go higher. The Chancellor is forecasting growth in consumers' expenditure of 3½ per cent next year and although that represents 2 percentage points of expenditure growth less than his forecast for this year it may have to be lower still if his forecast for trade is to come true.

For a man who is fond of saying that the deficit on the current account does not matter it is surprising the degree to which the "soft landing" for the economy he forecasts depends on a turnaround in UK trade performance.

Mr Lawson's forecast for the current account shows a decline to £11bn next year from this year's £13bn. Both this year and next the UK's share of world trade falls.

He forecasts 2 per cent growth in the total volume of UK exports this year; to achieve that, exports in the last quarter of this year will have to rise by 5 per cent compared with the level in the third quarter. On the imports side, volume has risen 13.5 per cent in the first nine months of 1988 – so he thinks demand will already be moderating by the end of the year.

Next year's trade performance is forecast as exceptional. Total export volume grows by 7 per cent, while import volume growth moderates to 5 per cent.

Here is the essence of the "soft landing". The forecast is built on the premise that it is excessive domestic demand which has not only sucked in a lot of imports but has also led domestic producers to divert goods from export to home markets. As growth in the home market moderates, UK industry increases its exports to the rest of the world.

Mr Lawson's other great hope is the outlook for inflation. The Treasury's assumed path for the gross domestic product deflator, the best measure of domestically generated costs, is for it to peak at 6¼ per cent this financial year, fall to 5 per cent in 1989/90 and to 3½ per cent the year after.

The analysis of cost pressures in the forecast lays most of the blame for rising producer prices at the feet of companies which have increased profit margins in response to strong demand.

In the absence of any stated reason as to why inflation should fall, it appears the Chancellor's forecast assumes current levels of interest rates are maintained for a large part of next year.

Simon Holberton

FORECAST FOR THE UK ECONOMY

	Treasury Budget	Treasury Autumn Statement	City (Consensus*)
GDP			
1988	3.0	4.5	4.0
1989	2.5	3.0	2.6
Consumer spending			
1988	4.0	5.5	n/a
1989	3.0	3.5	n/a
Manufacturing output			
1988	5.0	7.0	n/a
1989	3.5	4.5	n/a
Fixed investment			
1988	6.5	12.0	n/a
1989	5.0	5.5	n/a
Inflation (Q4)			
1988	4.0	6.25	6.3
1989	4.0	5.0	5.0
Current Account (£bn)			
1988	-4.0	-13.0	-14.0
1989	-4.0	-11.0	-12.0
PSBR			
1988/89	-3.0	-10.0	-10.0
1989/90	0.0	n/a	- 9.5

Source: HM Treasury; * AMS international survey of 22 City economists on 24.9.1988. Note: Treasury Budget forecasts for 1988, first 6 months of year only.

Other points

Fall in defence spending

BRITISH DEFENCE spending will decline in real terms in the next financial year, compared with earlier official projections of a levelling-out and recent speculation about extra funding. But Mr George Younger, the Defence Secretary, emphasised that plans announced yesterday envisaged bigger real-term increases totalling 3 per cent over the following two years, writes David White.

The 1989-90 defence budget, at £20.12bn, is £150m more than provisions made last spring, but that has been more than taken up by the higher than expected inflation rate. In real terms, the figure means an expected drop of 0.7 per cent from this year. But Mr Younger said that the ministry would probably underspend by more than that amount this year. For 1990-91 the ministry has obtained a more substantial extra sum of £600m over the earlier provision and in 1991-2 defence spending is set to pass £22bn.

With this, the ministry evidently hopes to put off the impending crunch between funding possibilities and the maintenance of all the UK's current Nato functions in maritime and air defence and the British Army of the Rhine.

Over the past decade, UK defence expenditure has increased by about a fifth in real terms, with a period of strong growth in the early 1980s followed by a recent dip. Mr Younger said that on a three-year sliding scale the country was moving from a downward slope to "a small upward slope."

The three-year plan "disposes of any talk of the need for a defence review," Mr Younger argued. The figures were understood to be firm plans for the period.

The ministry now had the means to press ahead with programmes such as the replacement of outdated Chieftain tanks, ordering more frigates to keep up fleet numbers, and the £22bn four-nation European Fighter Aircraft. A decision on the British-US competition for the £1bn tank programme was expected by the year's end.

Mixed news for housing

ON THE surface the Government appears to have been generous in increasing housing expenditure provisions by 12 per cent or £441m to £4.29bn in 1989-90, writes Andrew Taylor.

Detailed examination of the figures reveals that local authorities will be allowed to borrow up to only 80 per cent of this year's housing investment programme allocation. The balance, including all increased spending in 89-90, is to be financed from higher than expected receipts from sales of local authority, new town and housing association properties.

According to Environment Department figures capital receipts from sales are likely to be around £3.8bn in 1989-90 – £1.7bn higher than previously forecast and almost four times the increase in housing expenditure announced by Mr Ridley, the Environment Secretary.

The big change is the treatment of housing associations which are expected to take over the role of local authorities of providing rented housing.

By 1991-92 the Housing Corporation is expected to be providing grants of up £1.33bn to housing associations, 80 per cent higher than this year.

Aid budget to rise 1.9%

THE OVERSEAS aid budget will rise by £83m to £1.43bn in 1989-90, a real increase of 1.9 per cent, the Overseas Development Administration said yesterday, writes Peter Montagnon.

However, an unspecified part of the increase will go to the Chancellor's debt initiative in sub-Saharan Africa and Britain's contribution to the International Monetary Fund's Enhanced Structural Adjustment Facility.

When these factors are taken into account the scope for increases in other forms of aid spending appear more limited.

Nor is the increase likely to calm the fears of critics who watched UK aid spending fall last year to just 0.28 per cent of gross national product from 0.31 per cent in 1986.

Mr Christopher Patten, Aid Minister, described the increase as "significant." The White Paper said aid spending would grow further in 1990-91 to £1.51bn and to £1.57bn in 1991-2. In real terms this implies increases of 2.2 per cent and 1 per cent.

Jobless bill down

THE REDUCTION in the number of young people entering the labour market and falls in unemployment have led to a projected 15.3 per cent cut, in real terms, in the Department of Employment's budget by 1991-92, writes Charles Leadbeater.

The department's expenditure is planned to fall in real terms from an estimated £3.9bn for this financial year to £3.6bn in 1989-90, £3.4bn in 1990-91, and £3.3bn the year after.

The shrinking budget is accounted for mainly by cuts in spending on three of the department's programmes.

Expenditure on the Youth Training Scheme, which offers two-year courses for 16- to 18-year-olds, will be cut in the light of the 25 per cent decline in the number of school leavers over the next four years. Spending on YTS had been expected to rise from £1.22 bn in 1988-89 to £1.26bn in 1990-91.

The Department said demand for places on the Enterprise Allowance Scheme, which offers unemployed people a subsidy of £40 per week to start their own businesses, was also falling with the decline in unemployment. The scheme, which last year attracted 106,500 entrants, at a cost of £196m, is planned to contract to about 90,000 entrants a year.

Mr Norman Fowler, the Employment Secretary, said improved economic prospects and fewer bankruptcies had also led the department to lower its estimates of claims on its Redundancy Fund.

NI supplement to end

THE STANDARD National Insurance contributions rates applicable from next April remain unchanged for the seventh successive year at 9 per cent for employees and 10.45 per cent for employers, writes Eric Short.

However, the Government is abolishing the 5 per cent Treasury supplement to the National Insurance Fund as from April 1989.

These announcements come as no surprise given that the National Insurance fund, which finances the main social security pension, sickness and unemployment benefits, is expected to show a surplus for 1988-89 of around £3bn.

With such a buoyant financial situation, there could be a case for reducing employee, and possibly employer, contributions – contributions which were increased substantially in the early 1980s to meet the rapidly rising costs of unemployment benefit as a result of increasing numbers of unemployed.

Instead a large part of the surplus is being used to fulfil the final stage of the Government's commitment to progressively reduce the Treasury supplement, which was 18 per cent in 1980.

The earnings limits on which NI contributions are assessed have been raised in line with inflation.

Whitehall's rents up

EXTRA SPENDING by the Property Services Agency, which handles most of the government's departmental accommodation needs, reflects both the higher cost of office premises and a need to fund an accumulated backlog of urgent maintenance, writes Paul Cheeseright.

Spending for 1989-90 and 1990-91 will be £682m and £748m respectively, which is £84m and £115m higher than originally planned. This will be partly offset by rent receipts and sales so that the net increases will come down to £28m and £16m.

The PSA has been competing for space in the London offices market with an aggression that has aroused sharp Labour hostility. Its latest transaction, in the Victoria district of London for the Department of the Environment, was, at £43.50 per square foot, a rental one third higher than any ever recorded in the district.

Last June the PSA warned that it would take until the mid-1990s to clear off a backlog of essential maintenance work. Increases in the provision mean that it has now won at least a partial victory against the Treasury but its inability to keep up its maintenance programme when it has been renting property on a full repairing lease has made it unpopular with private sector landlords.

Roads

Boost for M-ways

THE CHANCELLOR announced plans to spend an extra £630m on motorways and trunk roads over the next two years. The budget for 1989-90 will rise by £290m to £1.31bn, and the 1990-91 budget will be £1.40bn, which is £340m higher than the White Paper forecast. But the figures include an allowance for VAT of £70m next year and £90m in 1990-91 which will become payable on construction projects in April.

After allowing for VAT, the increase in cash terms is a total of £470m in the next two years. Total spending over the three years 1989/90 to 1991/92 will be £4.16bn, including VAT. Within this, the construction budget will be £2.55bn – up 40 per cent in cash terms over the previous three-year period. Maintenance spending and VAT will make up the balance.

The Transport Department was not able to identify any specific schemes in the roads programme which would be brought forward because of the extra money.

This will be seen as a strong signal to the construction industry that the rate of increases in prices must fall from its current level of around 15 per cent if the programme is to be expanded.

Around 40 schemes are in the programme for next year, including several major schemes such as the M40 extension to Birmingham, the A1-M1 link in the Midlands, and the A27 Brighton by-pass.

Schemes which could be brought forward if the rate of price increases moderates include the M66 Denton to Middleton link, near Manchester and the A446M Birmingham northern relief road.

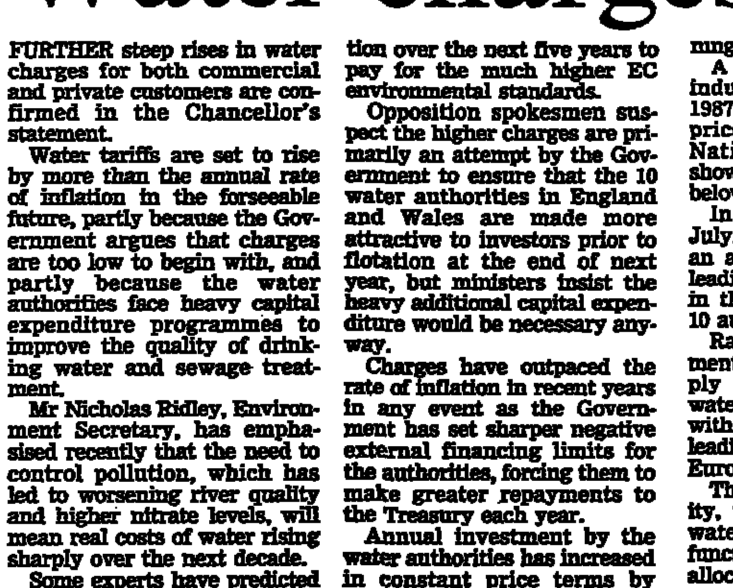
The increased provision for the current year includes £20m transferred from the contingency reserve for spending on the trunk roads maintenance programme, which has fallen behind schedule. The Government imposed a moratorium in new contracts earlier this year, despite an earlier undertaking to clear the backlog by 1992.

The impact of the increases in road expenditure on the Transport Department's overall budget will be mitigated by a cut in British Rail's external finance limit from £753m last year to £483m.

Kevin Brown

Water

Water charges up



FURTHER steep rises in water charges for both commercial and private customers are confirmed in the Chancellor's statement.

Water tariffs are set to rise by more than the annual rate of inflation in the forseeable future, partly because the Government argues that charges are too low to begin with, and partly because the water authorities face heavy capital expenditure programmes to improve the quality of drinking water and sewage treatment.

Mr Nicholas Ridley, Environment Secretary, has emphasised recently that the need to control pollution, which has led to worsening river quality and higher nitrate levels, will mean real costs of water rising sharply over the next decade.

Some experts have predicted price increases of more than 50 per cent above the rate of inflation over the next five years to pay for the much higher EC environmental standards.

Opposition spokesmen suspect the higher charges are primarily an attempt by the Government to ensure that the 10 water authorities in England and Wales are made more attractive to investors prior to flotation at the end of next year, but ministers insist the heavy additional capital expenditure would be necessary anyway.

Charges have outpaced the rate of inflation in recent years in any event as the Government has set sharper negative external financing limits for the authorities, forcing them to make greater repayments to the Treasury each year.

Annual investment by the water authorities has increased in constant price terms by more than 50 per cent since 1980-81 and is currently running at £1.1bn.

A recent comparison of 11 industrial countries in the 1987-88 international water price survey conducted by National Utility Services showed that the UK still enjoys below average prices.

In the year to the end of July, UK water prices rose by an above-average 7.2 per cent leading to the 28 per cent rise in the combined profits of all 10 authorities.

Rationalisation and improvement of the regional water supply systems is likely to put water costs in Britain on a par with the more expensive of the leading industrial countries in Europe and North America.

The National Rivers Authority, which will take over the water authorities' regulatory functions after privatisation, is allocated £40m in 1989 – 90 and £71m in 1990 – 91.

Richard Evans

Health & Social Security

Patient out of intensive care

"QUITE SPECTACULAR," was how Mr Kenneth Clarke, the Health Secretary, described yesterday's announcement of increased spending of £2.2bn on the UK National Health Service (NHS) next year.

Representatives of those who work in the NHS have become used to looking for the catch in such ministerial comments. During the same exercise last year, Mr John Moore, then Secretary for Health and Social Security, unveiled what he described as the "largest ever additional sums of money" for the health service. The response of the NHS was that it was not enough and within weeks the service plunged into the biggest funding crisis in its history.

But, after all the caution and qualifications have been taken into account, Mr Clarke, who took over the health half of Mr Moore's department in the summer, has been able to provide new money to finance real growth in the NHS. Last night, in the nearest thing to a compliment which Mr Clarke could expect, Labour Party and health union spokesmen described the extra money as a victory for *their* campaigns to save the NHS.

Mr Clarke, who has direct responsibility for the NHS only in England, announced that the service there will have an extra £1.8bn next year above the 1988-89 level of expenditure. The total comes to around £2.2bn when Scotland, Wales and Northern Ireland are included.

The Government will be making an extra £1.6bn available in England and, as in previous years, health authorities will be allowed to keep savings released by cost improvement efficiency schemes. These are expected to raise £150m, with another £25m coming from the Government's efforts to develop income generation projects in the health service.

An unexpected feature in yesterday's announcement – which has made a big impact on its final shape – is a decision by the Government Actuary that health authorities should reduce employers' superannuation contributions from 7 per cent to 4¼ per cent. This will reduce budgeted expenditure by nearly £300m, with the health authorities being allowed to keep the money for use in financing growth in patient services – this is money spent directly on treating more patients.

The National Association of Health Authorities calculated last night that Mr Clarke's total package gave scope for around £350m-worth of such patient services, of which the superannuation savings – worth £237m in the budget sector in 1989-90 – will form a substantial part. But, while welcoming the extra resources, it warned that the position in the new financial year could still be tight. Health costs tend to rise faster than prices in the economy as a whole.

A recent survey by the association showed current health service inflation at 6 per cent, while yesterday's announcement is based on a 5 per cent inflation assumption. If the assumption is wrong, warned the association, the potential for real improvements in services could soon disappear.

But yesterday's announcement should assure Mr Clarke of an important political bonus – a relatively quiet time in the NHS next year when the Government's review of the health service comes to fruition.

The Government's thinking on the future of health care in the UK is due to be unveiled in a white paper early in the New Year. A continuing funding crisis would have added to Mr Clarke's difficulties in gaining acceptance for a package which will propose significant changes to the way the NHS is run.

Yesterday's announcement of extra money for the NHS is additional to the Government's funding of the nurses' pay award, which will continue in the next financial year. The extra resources for England announced yesterday are the equivalent of a cash increase of 9¼ per cent, or 4¼ per cent after allowing for inflation. They are worth an extra 3¾ per cent in real terms if the savings from cost improvement programmes are excluded.

The capital expenditure programme is planned to increase to £1.2bn next year compared with £1bn planned for this year. In addition the Government will be attempting to raise more money from hospital land and property sales.

An extra £68m will be allocated next year for the prevention, care and treatment of Aids – more than double the present allocation – and an extra £12m will be used to implement the Project 2000 programme for nurses' training.

- TOTAL SPENDING on social security is planned to increase from £47.6bn in the current year to £51bn next year. Details will be produced later, but Mr Moore, now Social Security Secretary, said yesterday that the plans implied a growth rate in spending on benefits of more than 2 per cent above the assumed increase in prices.

Higher benefit rates will account for £2.1bn of the £3.4bn increase. Most of the remainder will be devoted to long-term sickness and disability benefits. Falling unemployment accounts for a £900m reduction in social security expenditure this year against previous plans and is expected to save £1.5bn in each of the next three years.

Alan Pike

Prisons

Cash for prisons

IN THE face of growing criticism about overcrowding and poor conditions in prisons, the Government has decided that over the next two years, an extra £370m will be spent on the prison building programme.

The Home Office said yesterday that at least two prisons will be built, and possibly new remand centres, as a result of the higher allocation. Also, ten new blocks, each housing 100 prisoners, will be built at eight prisons. The programme is designed to add 22,000 prison places by the mid 1990s.

The £370m acceleration to the building and refurbishment programme will come out of an increase of £240m in the planned £900m spending by the prison service next year, and £350m extra in 1990-1. The balance of the new money will go towards the provision of staff and other resources necessary to the running of the new and expanded prisons.

The Government is consulting on proposals to bring in the private sector to help alleviate the problem of providing for the growing prison population. Consortia, so far unnamed, have been invited to tender for the building of remand centres.

Hazel Duffy

Political Assessment

A great salesman presents his latest model

THE RUMOUR that Mr Nigel Lawson will never be able to find a decent outside job to follow his spell as Chancellor of the Exchequer should be scotched at once. He is quite clearly the world's greatest salesman. Anyone would buy a new car, or a new anything, from Mr Lawson. He could sell a British Rail snack-lunch to the customers of the Tour d'Argent.

The proof is there in the House of Commons. Twice a year, the House buys a new economic policy from the Chancellor. He sells one in the autumn, one in the spring. It is always sold as an immense improvement on the one that went before.

Out go those old-fashioned monetarist nostrums (in the years when they are not new-fashioned). Away with managing the exchange rate, which only the out-of-date would even mention. Off with the forecasts of last autumn. Cast aside the forecasts of last spring. This is a new model, the very latest in treble-blip technology.

It certainly looked good in the showroom last night. Without spending any more money overall, the Government was about to spend much more money on the National Health Service, prison-building, roads, defence and other programmes dear to the back-bencher's heart.

A suitable bow was made to the engineer, the Chief Secretary to the Treasury, Mr John Major. Mr Major is fed up with all the publicity about him, so I will merely say that deep underneath the Thatcherite exterior there lurks a kindly man; some of whose instincts are not only liberal but positively artistic.

Mr Lawson, who has a salesman's disdain for revealing liberal instincts, kept to his straight pitch in the House yesterday. He opened the hood to show the polished mechanism that had produced the miracle. The fall in unemployment had reduced the cost of social security. The old, outdated models had contained an element of ever-expanding interest on the growing national debt; the new, budget-surplus range helped to contain the growth of interest. Future versions will reduce it. More privatisation, including the sales of local authority houses, brought in yet more cash.

The Commons is usually impressed by Mr Lawson's patter. You could feel it being impressed again yesterday. He did not spoil it by referring back to the level of unemployment in 1979, when that was inconvenient, or forward to a precise prediction of the level of inflation in mid-1989, when that might have diverted the customers' attention. He was plainly delighted, in response to a question, to point out that the Industry Act does not require him to make forecasts beyond next year, which meant that he was not obliged to say when the balance of payments deficit would be eliminated. The good salesman knows when to say that he's afraid it's the law, you see.

When it came to the National Health Service, Mr Lawson talked very fast indeed. He wanted the acceleration to be appreciated, not the method by which it was achieved. This included the pay award to the nurses, expected income from the sales of surplus land, further expectations from efficiency improvements, and a transfer of payments currently made by the employer into the health workers' pension funds.

Comparing just this year with just next year, the increase in "real resources" (as opposed to cash) for the NHS comes to "some 4½ per cent." It sounded a bit like comparing the old model's best possible speed in top gear going up a hill with what can be achieved by the new model going down the other side, but for last night Mr Lawson made his sale anyway.

He could go on doing so indefinitely, or at least until one of his statements came apart in his hands. When he rose at 3.30pm yesterday afternoon his reputation was some distance away from that of the star of the Cabinet who had presented such an astounding Budget just half-a-year previously. There were doubts in the air. Were the things that seemed to be going wrong merely technical hitches, or had he sold us a pup? When he sat down he had the air of a man who had seen the doubters off. Maybe he has. It all depends on whether this latest model keeps running without overheating (perhaps in the public sector pay round) or jerking wildly about (under more interest rate changes) until next spring. The customers are developing beady eyes.

Joe Rogaly

MANAGEMENT

Product re-design

Flymo finds a fresh cutting edge

Christopher Lorenz concludes his series on companies in the north-east of England by examining the lawn-mower maker's volte face in its continental marketing strategy

To millions of gardeners in Britain, the name "Flymo" is synonymous with hover-mowing. Of all the powered lawn-mowers sold in the UK last year, over a third were the characteristically orange machines made by the County Durham company of that name – an abbreviation of "flying mower".

For most of its 24-year life, Flymo – one of the world's largest lawn-mower makers though it has only 400 employees – has spent heavily on trying to persuade the rest of Europe to catch the British habit.

But, like countless other European companies which are now confronting the supposedly imminent "single market", it has finally accepted that the product to which it owes its existence will never sell on the Continent in really mass-market volume. It may achieve reasonable scale in a few countries – Flymo's market share is 10 per cent or more in France, Denmark, the Irish Republic, the Netherlands and Norway – but it is unlikely to capture more than a small niche position elsewhere.

Instead, Flymo has started making the sort of conventional "wheeled rotary" mowers which most continentals still prefer. The first machine of this type which it has designed for pan-European tastes is just going into production and will be launched in the spring. By then a quarter of Flymo's mower output will be non-hover products.

This revolution, which has so far gone largely unnoticed by the public, has required much more than a private "recanting of our religion", in the words of Les Evans, Flymo's managing director. For, as part of the Swedish-owned Electrolux group, Evans and his team had to fight hard to convince their superiors that the traditionally independent Flymo had become sufficiently European-minded to be designated sole source – and main continental brand – for the new range of machines. This required the resolution of a potential demarcation dispute with another Electrolux lawn-mower offshoot, Husqvarna.

In a different sense, too, Flymo is still involved in internal wrangles with several other Electrolux companies, through which it is now trying to channel most of its continental mower sales and distribution.

"Except in France, our sister companies don't breathe mass marketing in the way we do," says Geoff Harrop, the marketing director. "They still think in terms of specialist dealers." Flymo is working hard to educate them, but in some cases has had to threaten to remove its business – it has done so in Italy.

Distribution differences across Europe are one of five main reasons for Flymo's limited continental success with hover mowers. The others are: the degree of local competition; Flymo's slow development of such product features as automatic grass collection; the size of gardens; and, especially in southern Europe, weather and grass conditions.

What might have been expected to be a sixth – differing technical standards for electric voltages, blade stopping times, and so forth – have not constituted much of a barrier. "They haven't affected our success because all our competitors have had to cope with them too," says Evans. So the gradual harmonisation of some of these standards by 1992 will have only a slight competitive effect.

Of the five factors, weather and grass conditions are probably the least important. Flymo claims its hover mowers work perfectly well throughout Europe except in the south; there, grass conditions tend to dissipate the "hover" effect.

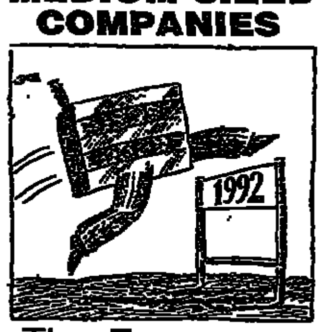
Far more important is the average size of garden. The basic Flymo design has always been aimed at smallish British gardens, not the tennis-court expanses beloved of many Germans, and especially Norwegians and Swedes, which require larger machines.

As its success in France and parts of Scandinavia shows, however, Flymo has been able to compensate for these market barriers to some extent where distribution and promotion patterns have combined in its favour. In France, as in Britain, it has been able to reinforce sales through large retail chains by demonstrating the hover's effectiveness via national television advertising.

In West Germany, on the other hand, mower distribution is still very much in the hands of specialist dealers, and TV advertising is both expensive and officially restricted in volume. Unfortunately for Flymo, most other European countries are – or have been – closer to the German than the Anglo-French pattern.

As a result, the company's export efforts in the 1970s and early 1980s were both costly and not particularly effective. "We behaved way beyond our capability and our sales," says Harrop. "If you're a niche company in a particular market, you shouldn't spend millions on TV."

MEDIUM-SIZED COMPANIES



The European challenge

This would have been expensive enough if dealers had given the product their full support. They tended not to. Harrop says: "The problem was that we expected dealers loyally to follow through our sales programme, including demonstrations that hovering actually works, when they found it far easier to sell conventional products." Whereas Flymo was promoting the hover as a mass market product, many dealers were recommending it only for gardens with bumps and slopes.

The recalcitrance of many continental dealers was also caused by much tougher competitive conditions than in Britain. In the UK, the Flymo had not only been the first hover mower, but also the first strongly promoted machine of any kind which cut with a horizontally rotating blade (as opposed to a cylinder mower which cuts vertically).

On the Continent rotary machines with wheels had become the norm well before Flymo's arrival on the scene. So it was a struggle to convince either dealers or consumers that a hover offered greater ease of use or cost effectiveness – especially when, as Evans admits, "our promotion wasn't tailored to these different circumstances".

Flymo was handicapped further by very strong local competition in several markets, notably Germany, and by its own slowness in adding features such as a grass collection bag. So its achievement of respectable market shares in parts of the Continent by 1983 was remarkable.

The trouble was that the costs of the effort were so high that the company failed to make any money at all in several countries, and in others its profitability fell far short of the level to which it was used in the UK. "We went over the top in promoting a product that didn't meet many consumers' requirements," says Harrop.

Things came to a head in 1983 when Flymo plunged into a loss of over £3m on sales of only £35m, largely because of problems in Britain, including over-extension of its mower range and the vicious effects of a long TV advertising and discounting war with Qualcast, the main UK maker of cylinder machines.

Evans was called back from running the successful Flymo subsidiary in Australia to become managing director. He immediately set about stemming the losses by slashing overheads and cutting back on unprofitable activities.

"Since the over-riding objective was to bring the UK back on course, exports were put on hold," he says, a phrase which covers the virtual dropping of sales efforts in Germany and several other markets. The French sales effort continued to be supported, but not with any great commitment.

Only in 1986 did Evans and his new team feel confident enough about Flymo's UK financial revival to start rebuilding exports – choosing to distribute wherever possible through other Electrolux group companies, rather than almost always independently as before. This was not because of any parental coercion, Evans stresses; they were the obvious base from which to launch a renewed export drive.

By then Electrolux had grouped all its chain saw and mower interests under one senior product line manager in Sweden, in order to distribute them jointly wherever possible. As a result, Flymo had begun to experience greater Swedish influence over its product and marketing strategy.

This became painfully obvious when the Swedes reacted sceptically to the company's plan to depart from its roots and design a pan-European wheeled rotary mower for both the UK and continental markets. For a start, it was rightly doubtful about Flymo's real commitment to designing for export markets, since the UK company had traditionally followed the typically technology-led approach of "we make it so we'll try to sell it," as well as the myopic British attitude of "it sells here so it will obviously sell abroad too."

In spite of dramatic cost reduction and automation improvements in the Newton Aycliffe factory, there were also doubts about Flymo's ability to create sufficiently high quality at a low enough cost. On top of that, Husqvarna was just as capable of taking on the project.

Flymo won the debate in August 1986 partly by agreeing to knock a year off the normal three-year development cycle for mowers, even though the company needed to start studying different European market requirements at the before it could begin the development process, instead of trying to adapt a UK product later on, or not even bothering.

Thanks to this research process, the new rotary mower has several "continental" characteristics: it cuts right to the edge of its wheels, instead of leaving a narrow strip uncut; it has a heavier and more durable handle than is conventional in the UK; and its design allows for seven different levels of cut, instead of just one.

Geoff Harrop (left) and Les Evans: had to persuade Flymo's Swedish parent to agree

Shortly after the mower decision, Flymo was faced early in 1987 with what Evans calls "a hell of a battle" internally over its plans to exploit the "strimmer" market developed by Black & Decker with its own grass trimmer. Having just bought America's largest trimmer maker, Weed Eater, Electrolux was naturally keen to benefit from global economies of scale. But it was eventually won over by Flymo's espousal of a strategy of differentiation – in this case, in the form of an adjustable handle and a versatile head which can be swivelled from the horizontal to the vertical.

Launched earlier this year, the trimmer has already proved a great success in Britain and several other markets across Europe. Which is just as well for Flymo's future, since it has helped break Electrolux's long-standing reluctance to see the Flymo brand name used on non-hover products outside the UK. "We've confounded them," is how Harrop puts it.

The parent company has just agreed to allow the Flymo brand to start replacing the group's previous national brands for small mowers and other mass market lawncare products in France and elsewhere.

Paradoxically, Electrolux's agreement was also aided by Flymo's past mistakes on the continent. According to Evans, the group's market research shows that Flymo's misguided promotional overspending in the 1970s and early 1980s has helped create a much stronger brand recognition for Flymo, even in Germany, than is warranted by its market position.

The cause of Europeanisation will be aided further by the recent organisational separation of Flymo's product development and production facilities from its UK marketing company; since last month development has formed part of Flymo's international division.

One obvious model for the mentality which Evans hopes to create is that of Husqvarna, which exports four-fifths of its production. Only 17 per cent of Flymo's £50m sales this year will be outside the UK.

Evans is uncertain whether he would have reconstructed Flymo in quite this way if it were a fully independent company. But he is emphatic that he would have been just as intent on ensuring a better balance of national influences over the company, so as "to avoid being dominated by home-market thinking."

Previous articles in this series were published on October 5, 12, 19 and 26.

Jonathan Wren

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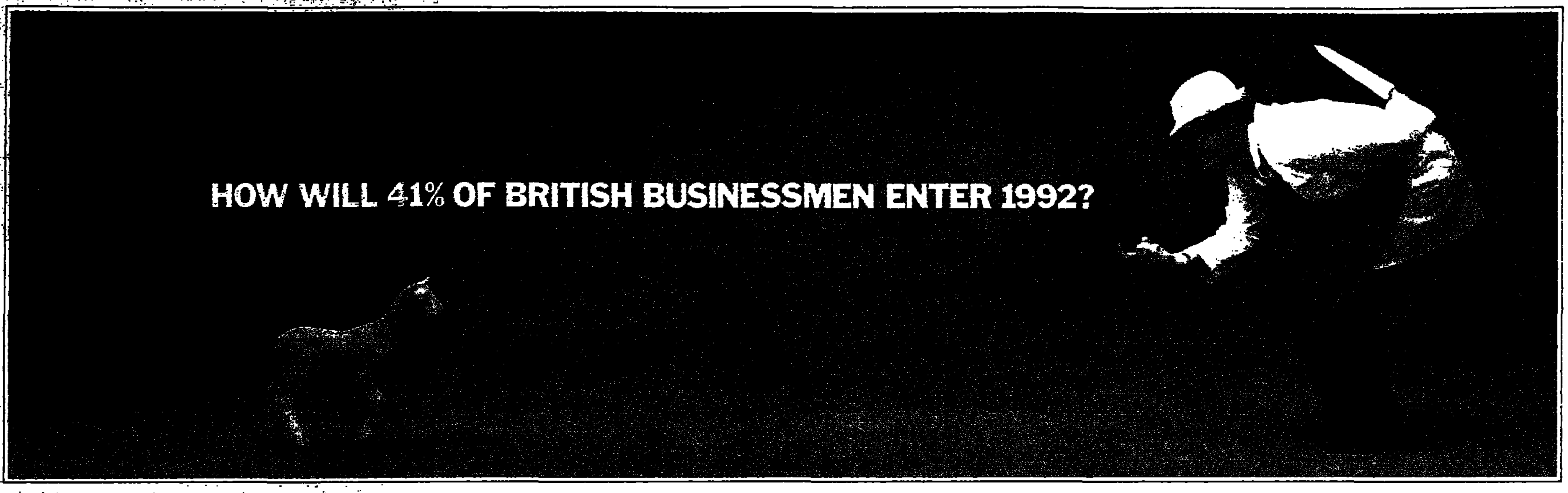

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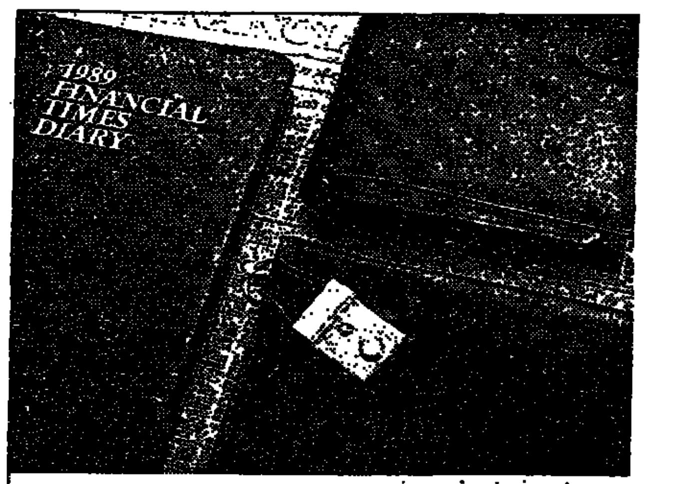

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FT LAW REPORTS

Writ validly served on absent bank

ROME v PUNJAB NATIONAL BANK

Queen's Bench Division (Commercial Court): Mr Justice Hirst: October 27 1988

A WRIT is properly served on a foreign company if addressed to the person nominated to accept service on its behalf and delivered to the nominated address, as long as his name and that address remain on file at the Companies Registry; and it is immaterial to validity of service that he has left the UK and that the company no longer has any place of business here.

Mr Justice Hirst so held when refusing to set aside service of a writ delivered by the plaintiffs, Mr Christopher William Rome and Mr Andrew Bathurst, to the nominated representative of the defendant, the Punjab National Bank.

Section 695 of the Companies Act 1985 provides: "(1) Any process . . . is sufficiently served if addressed to any person whose name has been delivered to the registrar . . . and left at . . . the address . . . (2) However . . . (b)if . . . all the persons . . . have ceased so to reside . . . a document may be served on the company by leaving it at . . . any place of business established by the company in Great Britain."

Section 696(4): "If an overseas company ceases to have a place of business in . . . Great Britain, it shall . . . give notice . . . to the registrar . . . "

HIS LORDSHIP said that until 1986 the bank carried on part of its banking business at Moor House, London Wall and at a number of provincial branches. By late 1986 it had resolved that no further business should be done in Great Britain. Its provincial offices were all closed by the end of 1986 and its London office by the end of March 1987.

During 1987 the bank retained a form of presence in Great Britain, though it carried out no new business. The 1987 activities were transacted by Mr A.K. Bakshi and a Mr Golani who worked from the offices of the State Bank of India at State Bank House.

Mr Golani left for home in October 1987 and Mr Bakshi in February 1988. Thereafter the bank had no employees working for it in Great Britain. It surrendered its banking authorisation to the Bank of England.

Meantime, in accordance with the requirements of section 692(1)(c) of the 1985 Act, the bank delivered to the Registrar of Companies two returns each dated August 13 1987, nominating Mr Bakshi and Mr Golani with the State Bank House address, as the names and addresses of the persons authorised to accept service on its behalf.

On December 31 1987 the bank informed the Registrar of Companies that it had ceased to have a place of business in the UK. It requested him to cancel its registration as an overseas company with a place of business in the UK. On January 15 1988 the Registrar confirmed that the bank's public file had been closed. The two returns dated August 13 1987, including Mr Bakshi's return, were not removed, but remained on the file.

On March 2 a writ was personally handed to an official in State Bank House, in an envelope addressed to Mr Bakshi at that address.

The writ was issued by the plaintiffs, Mr Rome and Mr Bathurst, who sued as representative Lloyd's underwriters. They claimed a declaration that two insurance policies under which the bank was assured had been validly avoided, and they claimed repayment of over $28m paid under those policies.

On the present summons the bank sought an order that service of the writ be set aside and/or a declaration that it had not been duly served. The question was whether the return of Mr Bakshi's name as a person authorised to accept process on the company's behalf remained valid at date of service.

The plaintiffs contended that service was good under section 695(1) of the Act, which provided that process was sufficiently served if left at the address of a person whose name had been delivered to the Registrar. In the alternative, they contended that service was good under section 695(2), in that the place at which the writ was served was "a place of business" established by the bank in Great Britain.

The bank contended that neither part of the section was of any avail to the plaintiffs and that service was therefore bad.

Mr Lightman for the plaintiffs submitted that the wording of section 695(1) was clear, explicit and categoric. All that was required was that process should be addressed to a person nominated by the bank as authorised to accept service on its behalf, and left at or posted to the nominated address. He emphasised that there was no requirement that the bank should have a place of business in the UK, nor for the continued presence of the nominated person.

Mr Brindle for the bank submitted that section 695(1) must be construed in the light of the provisions of section 695(2) and surrounding sections, and that it therefore did not apply when an overseas company had ceased to have an established place of business in Great Britain. He said that once a company had ceased to trade here the plaintiff must sue in the court to which it was subject at the time of the suit.

In *Sabatier v The Trading Company [1927] 1 Ch 495,506* Mr Justice Clauson said, with reference to the Companies (Consolidation) Act 1908 "a company . . . remains bound, even if it ceases to carry on business here, so long . . . as the name of a nominee . . . remains on the register."

In *Sedgwick Collins [1927] AC 95*, where the registered agent of a Russian company protested that it had ceased to exist, Lord Justice Sargent said he could not disclaim his position as company representative "Otherwise it would be possible for any foreign company . . . to entirely escape . . . from service of process by merely removing the name of their nominee from the register."

Provisions similar to sections 695(2) and 696(4) of the 1985 Act were first introduced into the legislation by the Companies Act 1928.

In *Deverall v Grant Advertising [1955] 1 Ch 111* Lord Justice Jenkins said "where the name and address of some person authorised to accept service on behalf of the company is delivered to the registrar of companies . . . service on that person is . . . good service so long as his name continues on the file, and the person effecting service is in no way concerned with . . . whether the company has . . . a place of business in Great Britain."

Subsequently in a number of decisions *Sabatier* and *Sedgwick Collins* had been treated as good law, though in none was the point precisely in issue.

Mr Lightman submitted that the law as laid down in the two pre-1928 Act authorities still continued to be valid, and was reinforced by *Deverall*. Mr Brindle submitted that the 1928 Act amendments were made directly in response to Court of Appeal criticisms made in *Sedgwick Collins* so that where the criteria of section 695(2) applied, or where notice had been given by the company under section 696(4), service under section 695(1) was no longer permissible.

Mr Lightman's submissions as to the construction of section 695(1) were correct. Its wording was explicit and unqualified. It stood on its own as an unequivocal statutory declaration that service in the manner described was "sufficient service". Section 695(2), though not formally worded as a proviso, was clearly tantamount to a proviso, and thus on well-established principles, was not capable of qualifying the clear words of section 695(1).

Deverall was not strictly binding since Lord Justice Jenkins's statement were *obiter*, but they were highly persuasive, coming as they did from so eminent an authority on company law matters.

The construction created anomalies, for example where the nominated person was dead, or had long ago left the country, or where several years had elapsed since the foreign company sought to do business here. But such anomalies, when they arose, could readily be dealt with under the court's inherent jurisdiction to stay proceedings.

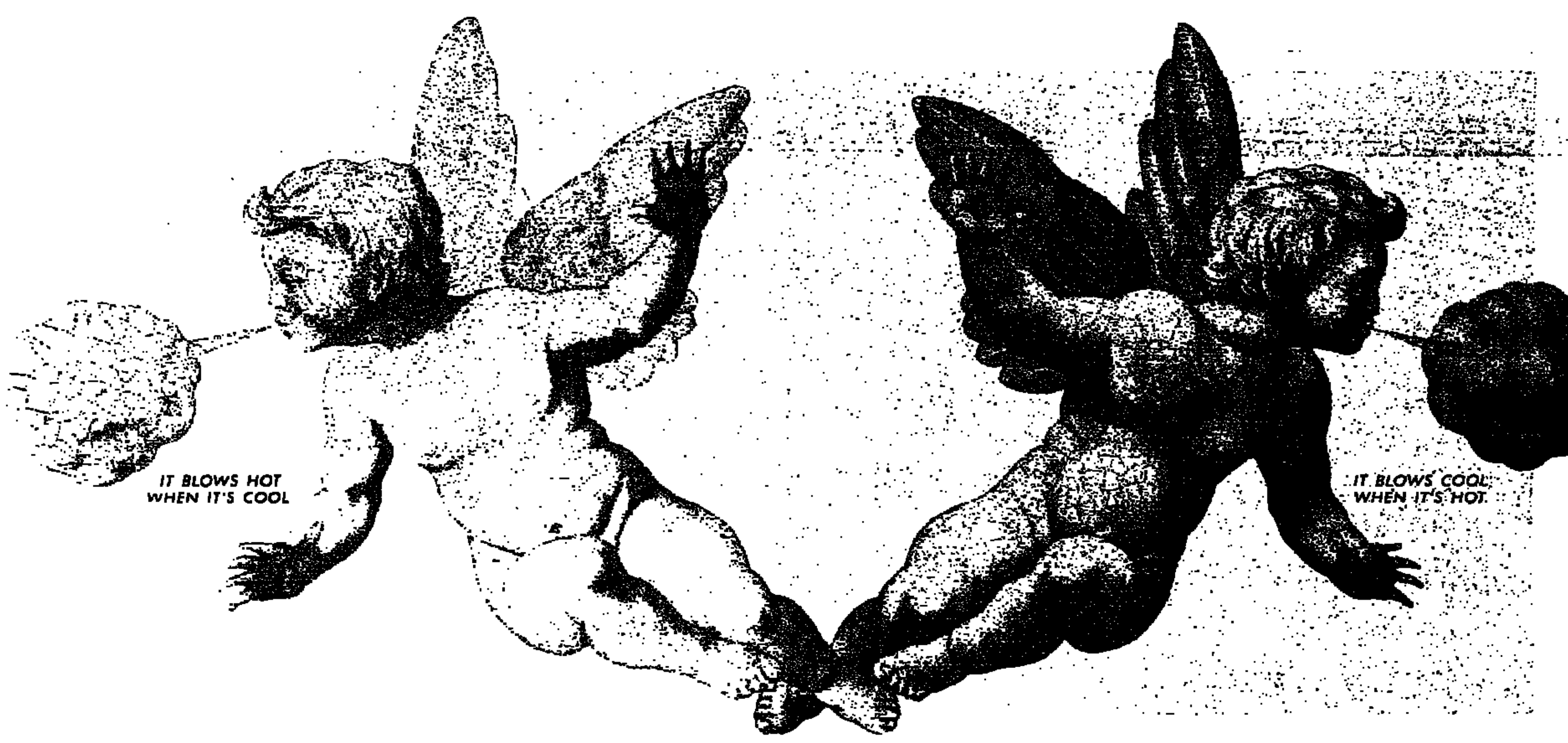
No such anomalies arose in the present case. On the proper construction of section 695(1) good service was effected.

Had the case turned simply on section 695(2), the court would have found in the bank's favour. It was not conducting any business activity at the relevant date. The place at which the writ was delivered was not a place of business established by the bank in Great Britain.

For the plaintiffs: Gavin Lightman QC, David Marks and Stephen Ruttle (Ince & Co)

For the bank: Michael Brindle (Slaughter and May)

Rachel Davies
Barrister



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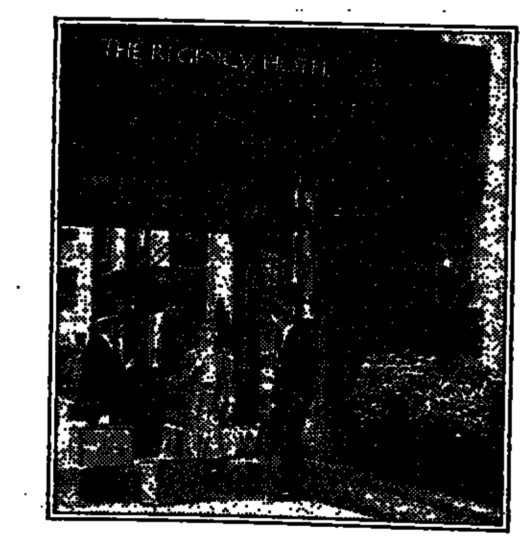

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JOBS

The powerful importance of company cars

By Michael Dixon

WHATEVER the successes of executives from outside the United Kingdom, there is one respect in which their British counterparts lead the world. It is in the possession of company cars.

Although other countries have been catching up lately, the four-wheeled perk is still awarded more liberally in the UK than anywhere else. Indeed, the Brits' advantage over other nationalities is the greater the lower down the managerial pecking order they work.

For instance, surveys suggest that the share of chief executives receiving company cars is about 93 per cent in Britain as against 84 across Europe as a whole. The UK share stays over 90 per cent both for other top managers and for middle managers in marketing and sales. But the all-Europe percentages fall respectively to 78 and 62. Among other middle-rankers, the British share of 79 per cent compares with a mere 31.

The result, according to a study of 608 UK executives to be published before long by Hertz Leasing, is that the company car is now part of Britain's culture. It has become a gauge of personal standing not just within the possessor's own employing organisation, but in the wider community beyond — as witness the executive who moaned: "We're only on a 1.6 and my next-door neighbour is on a 2-litre. I ought to have a 2-litre too."

Besides testifying to the social importance of the four-wheeled perks, the study points out that they are important economically. Hertz estimates that they account for half or more of the new cars sold in the UK, and adds: "Assuming an average price of £8,000, the annual sales value of the company car fleet market is approaching £8bn."

Another thing the study does is to correct a false impression previously shared by, among others, the Jobs column and the UK tax authorities. The mistaken belief is that, where company cars are concerned, there are two sorts of people: the haves, and the have-nots such as myself.

In fact, there are three sorts. In addition to us have-nots, there are two distinct kinds of haves. The first are people who need cars as a necessary tool of their job. The second are folk to whom they are, mainly if not entirely, an inessential perk. What is more, the attitudes of the three groups differ markedly, sometimes in surprising ways.

One of the questions the 608 were asked, for example, was whether or not it is important that company representatives are seen by customers to be driving a nice looking car.

My guess is that most readers will expect "tool-haves" such as sales people and service engineers to be more convinced of the good effect on potential buyers than "perk-haves" who may well never meet a customer face-to-face. And that was indeed what the survey found. Of the perk-haves, 79 per cent replied yes it is important, with 15 per cent answering no and the rest undecided. Among the tool-haves, the split was 83 per cent positive and 12 the other way.

Most convinced

But the group who were most convinced were the have-nots, with 95 per cent saying yes and only 3 no.

Much the same response pattern greeted the question whether it helps a company's image if its top management have nice-looking cars. The answers were:

Group	Yes	No
	%	%
Have-nots	89	5
Tool-haves	88	8
Perk-haves	81	11

What may have heavier implications, however, is the pattern which emerged when the executives were asked if the idea of getting a better company car is a strong incentive to work hard for promotion. The result was:

Group	Yes	No
	%	%
Have-nots	58	38
Tool-haves	54	42
Perk-haves	51	38

So two things would seem fairly clear. One is that the prospect of acquiring a more resplendent four-wheeled symbol of importance is not seen as a particularly strong motivating force by anyone. The other is that the people most inclined to take that view are those who do not have a company vehicle in the first place, and those least inclined to take it are the folk who have one as a mark of status instead of as a necessity of their work.

Part of the explanation may lie in the perk-haves' tendency to think their car is a reward for the hard work required by their current job rather than a spur to work still harder for a higher-level post. About 52 per cent of them saw the vehicle in that way, with just under a third believing the contrary. But the balance among the tool-haves was the reverse.

Moreover, while both sets of haves were largely content with the choice of vehicle their company allowed them, the group who really needed one were rather less satisfied than those who did not. Hence it is perhaps not surprising that when asked whether the quality of car should increase with rank in the company, the tool-haves — with 81 per cent saying yes and 13 no — produced a less favourable response than their perk counterparts who divided 94 per cent to 5.

Agreement

Even so, on the whole, neither of the two sets of possessors wanted there to be a wide choice of car for anyone in their companies. In each case about half thought it would lead to abuse of the system and resentment, with around 45 per cent thinking otherwise.

Nor was there much of a difference between them on the question whether they would rather go on having non-financial benefits such as the four-wheeled variety than see further income-tax reductions. The tool-haves were slightly more opposed to the tax-cut option, voting against it by 64 per cent to 25 compared with their perk counterparts' 61 to 27.

The gap widened further when the two groups were asked what they would do if the UK Goverment continued its policy of increasingly taxing the users of company cars until they personally gained nothing financially by having one. Seven in every 10 of the tool-haves would still want to keep the vehicle, and three would relinquish it. Among the perk group, the balance in favour of keeping was 61 to 39.

Nevertheless, the fact that about a third of all the possessors would be inclined to relinquish is hardly a happy portent for British industrial efforts. For the Hertz study estimates that of the £8bn a year sales of new cars to company fleets, about 90 per cent go to the three top UK-based makers: Rover Group, Ford, and General Motors as represented by Vauxhall. The trio's share of all new car sales in Britain is under 60 per cent.

More ominous still is that when the haves were asked how they would react to the loss of their company vehicle, more than half said they would never buy a new car but turn to the second-hand market. So the ultimate conclusion of the British Government's present tax policy might be to remove large-scale car-manufacture from the UK altogether.

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Interested applicants should write enclosing a comprehensive curriculum vitae and daytime telephone number, quoting Ref: 275, to Tim Manly BA, (Oxon), Whitehead Rice, 295 Regent Street, London W1R 8JH. Tel: 01-637 8736.

Whitehead Rice

MANAGEMENT SELECTION

Investment Advisory

Citicorp's Private Banking Group provides a full range of banking and investment services to wealthy clients around the world. Our Investment Department now requires an experienced investment adviser who will work with a team of investment professionals in our Berkeley Square office.

You will be an investment professional with at least four years experience in the financial markets. Because this position involves interacting with high-net-worth individuals, it is essential that you have a high level of expertise in money markets, fixed income and equities. Highly motivated and dynamic, you will need to fit into a sales team which is energetic, ambitious and highly successful.

This position carries an attractive salary and full banking benefits. Please respond by sending a full C.V. and details of your current salary to Derek Froud, Personnel Co-Ordinator, Citibank N.A., 41 Berkeley Square, London W1X 6NA.

We are an equal opportunity employer.

CITICORP CITIBANK

CANADIAN EQUITY SALES
£30,000

Our client is a well established Canadian broker with a first class reputation in both Canada and Europe.

Due to the expansion of their London operation they require an additional salesman to join their sales team. The successful applicant will be a graduate aged in their mid 20s with a minimum of 2 years sales experience in Canadian or US equities.

For a confidential discussion please contact Alexandra Hartree or Julian Fox on 01-583 0073 (day) or 01-584 1685 (outside office hours).

CORPORATE ADVICE SPECIALIST FINANCE
c£25,000 + Package

Our client, a worldwide banking group, requires a young qualified ACA with investigations experience to join its team working on equity investments, mezzanine finance, management buyouts and general venture capital related deals. Applicants should be in their mid 20s with an interest in City finance transactions and should be looking at a long term career within this rapidly developing field.

For a confidential discussion please contact Jon Michel or Robert Digby on 01-583 0073 (day) or 01-673 0839 (outside office hours).

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RECRUITMENT SPECIALISTS

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Melbourne — ***Sydney***

Our client is the Australian subsidiary of a global stockbroking network backed by one of the world's leading banks.

The Australian operation is seeking experienced and successful institutional salespeople to strengthen its Sydney and Melbourne offices. Applications are invited from brokers who distribute Australian equities to institutions in the UK or Europe or from other salespeople who have worked as Institutional Dealers in Australia.

This is a rare opportunity to build a career with a well established firm providing excellent research and technical support.

For further details please contact us quoting reference number MH 199.

Rochester Recruitment Ltd, 10th Floor, Garrard House, 31-45 Gresham Street, London EC2V 7DN Tel: 01-600 0101 Fax: 01-796 4255

ROCHESTER

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Equities Research Europe

City — **Attractive Package**

My client is a leading firm with a strong commitment to expanding its coverage of Continental Europe.

In line with this expansion they are looking to strengthen their European research capability with the addition of a number of experienced analysts. Areas of specific importance are **Germany, Switzerland and France** and my client requires previous in-depth experience of these markets.

Candidates will have a minimum of 2 years' relevant experience and will ideally have a good command of at least one other European language.

If you match the above criteria and would be interested in pursuing these opportunities further please call **Charles Ritchie on 01-831 2000 (01-675 0670 evenings/ weekends) or write to him at Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

MP

Michael Page City

International Recruitment Consultants

London Paris Amsterdam Brussels Sydney

PORTFOLIO MANAGEMENT

Assistant Fund Managers/Analysts — **Overseas Equities & Fixed Interest**

Central London to £26,000

The British Gas pension fund is one of the largest in the UK with over £4 billion of assets under management. A specialist in-house team undertakes active management of the funds, offering challenging career opportunities for ambitious individuals.

Overseas Assistants

The overseas equity portfolios are valued at over £500m, and managed by experienced specialists on North America, the Far East and Europe.

Two assistants with backgrounds normally including a relevant degree and one or two years' experience in the relevant markets are required. Able individuals with experience in UK equity analysis or graduates with a keen interest in the field would be considered.

Fixed-Interest Assistant

The gilts and fixed-interest portfolio is valued at over £650m and managed by an in-house Fund Manager. An assistant is required to help in the portfolio management and provide economic analysis of international interest rates and currencies.

Your background will normally include a relevant degree and several years' experience working in the fixed-interest/money markets or as an economist.

These appointments offer the right individuals the opportunity to progress rapidly in a dynamic environment. The salaries and benefits packages are very attractive and include generous holiday entitlement, profit sharing and sharesave schemes and relocation assistance where applicable.

Please write with full cv, quoting reference FIN/11271/009/FT, to Heather Rodgers, Recruitment Administration, British Gas plc, 59 Bryanston Street, London W1A 2AZ. Closing date for receipt of applications 16 November 1988.

An equal opportunity employer

British Gas

At a Career Crossroads?

Hill Samuel Investment Services is seeking executives, aged 25 to 50 and with experience in industry, commerce or the professions, to become Personal Financial Advisers. All necessary training and support will be given to enable you to promote the renowned range of Hill Samuel personal financial products and services.

Contact: Richard Armstrong, Hill Samuel Investment Services Ltd, 29 Queen Anne's Gate, London SW1H 9BU. Tel: 01-222 4858. (London Commuter area only)

APPOINTMENTS WANTED

Young Scandinavian, 33 y.o., with a broad business background, formerly m.d. in British subsidiary, seeks meaningful employment with British company within management, administration or sales and marketing. Well connected and acquainted in the Scandinavian countries.

Write Box A1040, Financial Times, 10 Cannon Street, London EC4P 4BY

SALES

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ANALYSTS

Senior Banking Analyst — Senior Property Analyst

Oil Analysts

DSA

Please apply in confidence to: MIKE BRENNAN on 01-430 1551/2653 or write Executive Selection Division, 9 Brownlow Street, Holborn, London WC1V 6JD.

DULCIE SIMPSON APPOINTMENTS · DULCIE SIMPSON APPOINTMENTS

Senior Manager -Credit

To augment our credit function in London we wish to recruit a Senior Manager who will report to the Divisional Director, Credit.

The successful candidate is likely to have the following attributes and qualifications.

* Aged between 30-40 years
* Associate of the Chartered Institute of Bankers
* Minimum of 5 years in corporate credit appraisal and lending functions of a UK clearing bank.
* A thorough working knowledge of current appraisal, monitoring and recovery techniques.
* Good interpersonal skills

The Credit Division has prime functional responsibility for the appraisal and monitoring of a diverse asset portfolio generated from London and our expanding network of Regional Offices.

This is a key appointment and the remuneration package will include an attractive basic salary, company car, subsidised mortgage scheme and other benefits.

Please respond with a full CV to:
John A. Newman, Senior Associate Director, Royal Trust Bank, Royal Trust House, 48-50 Cannon Street, London EC4N 6LD.

ROYAL TRUST
Royal Trust Bank

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

MONEY MARKETS DEALER c£35,000 + Car
A money markets dealer with several years' experience is sought to join the expanding dealing room of a City based international bank. Applicants must have a proven track record covering interest rate swaps/futures and off-balance sheet trading. Excellent prospects in a challenging environment.

DEALERS — CORPORATE DESK To £30,000
We are currently working on three different posts for leading names, one North American and two European. Starting salaries vary from between £25,000 to £30,000. Main qualifications for these openings are; previous experience on a corporate desk, skill at developing business easily with existing and potential clients, and the ability to generate business by getting competitive rates from your dealers.

CREDIT ANALYST — SPECIALIST £18,000-£23,000
One of the major City based Japanese banks is looking for a credit analyst experienced in the analysis of property, project finance or aerospace. Applicants must be 'A' level/degree educated and have the ability to have some level of marketing involvement in support of the marketing team. Good prospects for advancement are open to the successful candidate.

ASSISTANT LEGAL COUNSEL To £28,000
A qualified Solicitor or Barrister with at least 2 years' relevant UK banking experience is sought by this bank. You will be responsible for swap documentation, maintenance and updating of standard documents. This position will also entail liaison with the marketing area on such matters as syndicated loans, new issues and other specialised transactions.

ASSISTANT MANAGER — INFORMATION TECHNOLOGY c£30,000
A banker who is a systems expert is sought by one of the prime name City banks. Applicants must have several years in a banking systems role, have experience of computer installation, enhancement and upgrading, etc. He/she must also be familiar with dealing room systems, general communications and have some man-management experience. Knowledge of IBM systems and Midas software would be advantageous.

EUROBOND OPERATIONS c£25,000
One of the major investment houses is seeking to fill an important middle management role in their Bond Settlements department. Working in a fast-moving and stimulating environment, the successful candidate will be able to provide the combination of excellent management skills with an extensive knowledge of bond administration.

For further information about any of these positions please contact either Christine Clayton, Caroline Huddart or Keith Snelgrove.

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

Jonathan Wren

FUND MANAGEMENT to £80,000

The current level of recruitment activity in this area is such that experienced fund managers, both equity and fixed income, who have hitherto hesitated to test the waters, could be tempted with the range and quality of career opportunities currently being handled by the investment team at Jonathan Wren.

We are currently advising a number of prime investing institutions who wish to recruit fund managers with top quartile performance, for positions from Junior Manager to Investment Director level. Product areas include both domestic and international pension/institutional funds.

Please contact Roger Steare

EQUITY SALES AND RESEARCH to £70,000

As one of the leading recruitment consultants in the City, Jonathan Wren has the expertise, market knowledge and contacts to place experienced brokers in positions which satisfy both career and financial aspirations.

We are currently assisting several prestigious City broking houses in the development of their equity research and institutional sales teams.

Please contact Ann Winder

LONDON HONG KONG MIDDLE EAST SINGAPORE SYDNEY

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266. Fax: 01-626 5258.

EQUITY INVESTMENT OFFICER

Our client, one of the world's most successful and dynamic international banks, is seeking to recruit a young professional to join its expanding equity investment group.

As part of a small team, actively involved in the development of unquoted equity investments within Europe, the successful candidate will be responsible for the analysis, structuring and monitoring of investments together with the preparation and presentation of investment proposals for line approval.

Applicants should be educated to degree level and have at least two years' experience of credit analysis. The successful candidate is likely to be working within a major financial institution renowned for its strength within the venture capital field and must be able to demonstrate a high level of personal presence together with effective communication skills.

In return our client can offer a competitive salary together with a full range of banking benefits.

Interested parties should ring Gill Pembleton on 01-236 0723 for further details or send their CV to Well Court Associates, 11 Well Court, London EC4M 9DN.

WCA

Appointments Advertising Also Appears on Page 23, 26 + 34

Senior Bankers
New, US owned, UK Bank Seeks an experienced CEO, outside Directors, and senior officers. Consumer and small business lending, financial management, and Bank of England regulatory experience required. Top compensation. Send CV by Nov. 7th, to St. James's Club, 7 Park Place, London SW1

CORPORATE ANALYSTS

Experienced analysts, preferably ACA, MBA or with a relevant degree, to cover UK corporates.

BANK ANALYSTS

Analysts with fluency in one or more European languages, preferably Italian and/or German, are sought.

IBCA is the leading European rating agency, providing credit reports to major financial institutions worldwide. As a result of expansion we are seeking additional analysts. The positions involve travel, contact with senior officers of banks or corporations, the preparation of high quality credit reports and advising clients on the credit status of rated entities.

Suitable candidates will:

- be graduates
- be able to communicate well, both orally and in writing
- have experience of financial analysis

Salaries will be competitive and commensurate with qualifications and experience. Write in confidence with full C.V. to the Managing Director,

IBCA
Eldon House, 2 Eldon Street, London EC2P 2AY

CHASE

Young Ambitious Banker

(aged 28-30)

c.£30,000 + Banking Benefits + Car + Bonus

The Chase Manhattan Bank leads the world in the size and quality of their business in Global Custody. Crucial to the success of this business is the job of managing the bank's network of sub-custodian banks worldwide. This specialist group in London maintains and develops these relationships, negotiates fee levels, and reviews possible alternative custodians. The incumbent will liaise with stock exchanges, clearing institutions and governmental agencies to build up market information on behalf of clients; there will also be a significant 'public' role, eg. speaking at seminars and conferences and contributing to training courses aimed at clients.

The ideal candidate is a young, ambitious banker (probably aged 28-30) with some knowledge or contact with banking institutions, or alternatively, experience of international securities markets. This may have been gained within correspondent banking; global custody; in an operations role within a securities house; or possibly even from a sales or trading perspective.

The position demands commercial skills and fine judgement, a willingness to travel in Europe, America and the Pacific Basin, and a mature outlook. Career prospects are excellent within this highly profitable and successful business sector.

Interested candidates should contact Kevin Byrne on 01-248 3653 (or 076 382728 evenings/weekends) or write, sending a detailed CV to the address below (or use our confidential faxline on 01-248 2814). All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ BBM ASSOCIATES Tel: 01-248 3653

CONSULTANTS IN RECRUITMENT

BANKING OPPORTUNITIES

We are currently seeking high-calibre candidates for a wide range of appointments, a small selection of which is outlined below. All positions attract excellent salaries and comprehensive banking benefits packages.

LIFFE: PIT TRADER - SENIOR BROKER £35-40,000
A major international bank is seeking a Pit Trader, ideally with 2/3 years' experience, whilst the Senior Broker will sell brokerage services to UK and European corporate clients and financial institutions.

TRADERS, FX AND CORPORATE £30-65,000
Positions at all levels for overnight dealers, currency and corporate. Minimum of 1/2 years' experience.

A.C.A.'s £20-30,000
N/Q and experienced ACA's are widely sought by major international and European banks and leasing subsidiaries. Positions range from financial control and project analysis, through to a corporate tax specialist.

CORPORATE RESEARCH ANALYST £15-20,000
Recently qualified graduate or MBA to join a team of 6 researchers, to prepare country and industrial reviews and economic forecasting. Limited travel within Europe. Ideal age, mid-twenties. Some credit knowledge useful.

FX NEW PRODUCTS £17-20,000
This position at supervisor or assistant manager level calls for sound experience of settlement procedures in at least two of the following: swaps, options, futures, FRA's.

ASSISTANT MANAGER, SWAPS ADMINISTRATION to £25,000
The ideal candidate will be an ACA or ACCA with banking experience. Managing a team of three, responsibility will include valuations etc. in the dealing room.

CREDIT ADMINISTRATION MANAGER, PRIVATE BANKING £ aae
Aged late twenties, reporting to the G.M., responsibilities will include reviewing credit applications, preparing lending returns, and monitoring account plans. Excellent credit administration experience is essential.

MARKETING, FRANKFURT BASED DM Salary
Financial executives are sought with fluency in a second European language and 5 years' experience of marketing financial services and products in acquisition finance, commercial real estate, corporate finance or LBO's/MBO's and project finance. Full relocation expenses are offered.

SWAPS MARKETING to £40,000
Graduate/MBA for international bank, minimum of 2 years' swaps experience plus capital markets knowledge.

For information on the above and other vacancies or for a general discussion in confidence on your career development, please contact: IAN DODD or KARYN RUTHERFORD.

INTERNATIONAL SEARCH AND SELECTION CONSULTANTS

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or: 01 626 2150(24 hour)
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CORPORATE FINANCE

UK Merchant Bankers

Graduate ACAs/lawyers Aged 24-28

Salary c.£26,000
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Prospects limited only by ability

Intellect, commitment and potential are the essential prerequisites sought by my well respected clients in their search for TWO outstanding executives.

Working in one of the most vigorous operations in the City, you will be capable of overcoming a steep learning curve and participating fully in a diverse range of assignments. These embrace financial advisory, capital raising, corporate reconstruction, management buyout and merger/acquisition roles. Whilst acting for a wide cross-section of large companies and groups, with an increasing emphasis upon cross border work, the department also has considerable numbers of small company clients seeking public company status.

The bank is a City leader and enjoys a global reputation for outstanding service and applied expertise. It is in turn part of a diversified, international financial services group which employs around 7,000 people worldwide.

If you are interested in this exceptional opportunity, please write briefly enclosing a CV or telephone for a personal history form, quoting ref. 5150, to Nicola Woolf, Consultant – Banking/Finance Division.

RECRUITMENT SELECTION & ADVERTISING
EXECUTIVE CONNECTIONS
43 Eagle Street
London WC1R 4AP Tel: 01-242 8103

Treasurer

West of England is one of the country's leading and most innovative regional building societies. It includes estate agency, house building and financial services. After the proposed merger with Regency Building Society in May 1989, the assets of the combined society will exceed £1 Billion.

The management of the investment portfolio and wholesale money market operations will be a vital element of our plans and will make a significant contribution to our overall profitability. We now seek a Treasurer with the experience and personal qualities to control and develop this key area.

Extensive experience in money, gilt and capital markets is required. Interest rate and liquidity management skills are also essential. The position demands energy and commitment and the rewards will be commensurate.

West of England's modern Principal Office is situated in Marlborough, Wiltshire, one of the most attractive areas in the country, where the quality of life is excellent. The package proposed includes car, concessionary mortgage, private medical insurance and relocation costs.

Written applications should be sent to:
K Culley, Chief Executive,
West of England Building Society,
25 High Street, Marlborough, Wiltshire SN8 1NE
Telephone: (0672) 54371

Equity Analyst

We are currently seeking an analyst with broking or fund management experience in any of the following sectors: Leisure; Engineering; Food Manufacturing; Food Retailing; Electronics; Insurance; Building; Chemicals; Property; German/Italian/Scandinavian/Spanish/Swiss equities.

UK Equity Sales

An enthusiastic salesperson is required with experience in either Brewing/Leisure or Financials. A generalist will be considered. Excellent salary package.

European Equity Sales

The successful applicant will be a skilled and ambitious salesperson who will enjoy promoting first class European research for a major house. A highly competitive salary is offered.

Contact: **Dr Elspeth Davidson,**
Stockbroking Division, Commodity Appointments,
116 Shaftesbury Avenue, London W1V 7DJ
Tel: 01-439 1701

NORWICH UNION FUND MANAGERS LIMITED

INVESTMENT TECHNOLOGY SERVICES MANAGER

Norwich Union is one of the fastest growing insurance and financial services groups in the UK, a market leader and an equal opportunities employer.

Norwich Union Fund Managers Limited, members of IMRO and managing total funds in excess of £12 billion, seek an Investment Technology Services Manager to lead their Technology Services team.

Educated to degree level, ideally possessing a relevant professional qualification, you should have considerable experience in the provision of complex systems for financial users, ideally in an investment environment. An understanding of financial markets will be an essential element of this position.

You will undertake a major role with the Group's Computer Systems Division in the development of strategy and the implementation of systems to support the fund management process. Initiative and leadership qualities are essential and career development prospects in this highly specialised sector are excellent for those with flair and proven technical skills.

The post is in Norwich, a prime location within easy reach of the City. A competitive salary is backed by a first-class fringe benefits package including performance related bonus and a comprehensive relocation scheme where appropriate.

Please send full career and salary details, to:
Miss Phyl Scott, Staff Division
Norwich Union Insurance Group
Surrey Street, Norwich, NR1 3NG.

NORWICH UNION

Corporate Finance

Executives/Managers £30-40,000

Corporate financiers with a minimum of two years' experience within a brokerage house are in demand by the broking arm of a highly regarded UK merchant bank. Working within a small, but highly active department, you will participate in a diverse range of activities.

Autonomy and a high level of responsibility, coupled with excellent promotional prospects are some of the attractive aspects of this role.

Contact Paul Wilson on 01-831 2000 or write to him at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

Accountants & Solicitors £25-30,000

Our client, a prestigious UK merchant bank has an active and highly innovative Corporate Finance department involved in a range of exciting deals.

Continued expansion has created opportunities for young professionals with excellent academic backgrounds and strong, outgoing personalities to move into this demanding environment. Rewards and prospects are excellent.

Contact Penny Bramah on 01-831 2000 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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Michael Page City
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SENIOR INVESTMENT MANAGER

The chance to run your own department in a firm of outstanding merit located in rural Cheshire.

This is an exceptional opportunity to take complete responsibility for the management of substantial investments in a well-established, highly successful niche Company whose growth is assured by its innovative and carefully thought-out approach to the marketing of its services. As the Head of the investment department your job will involve the determination of investment policy and asset allocation strategy, the management of Equity and Fixed Interest investments and the appointment of a small team to assist you. You will participate in group presentations to existing and potential clients and will be expected to develop the firm's institutional marketing capability.

You are likely to be aged 35-50 and should have gained a breadth of experience in investment management, preferably in an institutional environment. You must possess well developed managerial and interpersonal skills and be able to communicate effectively at all levels.

The Company is headquartered in attractive rural surroundings in Cheshire and enjoys superb facilities. It views this appointment as crucial to its continued success and is offering a highly competitive compensation package which will be structured according to individual preference.

If you would like to be considered for this appointment, please telephone Michael Thompson on 01-222 7733 for a preliminary discussion or write to him at: John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.

John Sears and Associates
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INTERNATIONAL PRIMARY MARKET ASSOCIATION

SECRETARY GENERAL

Applications are invited for the post of Secretary General of IPMA, the representative body of the major issuing houses in the international capital markets. The Association's main objectives are to promote co-operation between companies and practitioners, to make recommendations to its members on the conduct of primary market business, to promote the standardisation of new issue practices and to represent the interests of the international primary market vis-a-vis governments, regulatory authorities, investment exchanges and other professional associations. It currently has 65 members and its secretariat is based in London.

The Secretary General reports to the Executive Committee and Board of Directors of the Association. He is responsible for the day-to-day management of its affairs, for the organisation and support of all meetings of members, the Board, the Executive Committee and the various specialist sub-commitmittees and for the administration of its accounts. He assists the Chairman and Executive Committee in their dealings with regulatory and other agencies.

Applications are invited from candidates with substantial experience in international capital markets including an appreciation of legal and accounting questions and/or a good administrative background. Candidates should have the experience and personal qualities necessary to enable the Association to represent its members' interests effectively as the international capital markets cope with important new developments in the business and regulatory climate. For this purpose, command of one or more foreign languages would be an advantage.

The remuneration package to be offered will be commensurate with the above requirements. Applicants should write in the first instance to:

A.A.J. Mattle, Esq.,
Chairman,
International Primary Market Association,
1/3 College Hill,
London EC4R 2RA

DYNAMIC INDIVIDUALS REQUIRED

We are one of the world's leading energy broking companies. As part of our natural growth we are looking to employ additional staff to join our broking teams. We require self-motivated, innovative professionals who can integrate well into a team yet maintain independent responsibility.

Ideal candidates will presently be employed in a financial or commodity trading/broking high pressure environment.

The position offers an attractive remuneration together with fringe benefits.

Candidates should reply in confidence enclosing a comprehensive curriculum vitae with daytime telephone number to:

Box A1039, Financial Times, 10 Cannon Street, London EC4P 4BY

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For Further Information Contact
01-248 8000

Elizabeth Rowan
Ext 3456

Wendy Alexander
Ext 3526

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firm seeks fast track Professionals to Recruit for Financial Services Industry.
Salary Negotiable.
Call Victoria Elliott on 01-623-9898 ext. 2215.

At a career crossroads. We are looking for mature people aged 25-55 with an industrial or professional background to be trained to offer a wide range of financial services to businesses, professional intermediaries and individuals (income is limited *only by your own ability and determination*, we offer an attractive package as well as commission) Telephone Ray Sawyer on 01-895 0155.

Leading US Financial Services Institution

FINANCIAL ANALYST

A prestigious Wall Street Firm, actively trading worldwide, is looking for a young Financial Analyst for their Spanish Corporate Finance Coverage Team.

Applicants should be educated to degree level, preferably with a financial/economics bias, and will already have a basic understanding of investment banking products acquired either through current employment or during internships in their university vacations. A high energy level and proven analytical and interpersonal skills are essential pre-requisites.

The successful applicant will work in support of our Spanish Coverage Team. Job responsibilities will include assisting in the identification of opportunities in the Spanish market; responding to client enquiries; preparing industry reports; executing transactions for Spanish clients. Bilingual Spanish/English skills are crucial, together with an understanding of the culture and business practices in Spain.

The position offers excellent career prospects to the right applicant, generous compensation and a comprehensive benefits package.

Applicants possessing the above qualifications and skills should write in confidence to: TG West, Managing Director, (Ref 517), Associates in Advertising, Columbia House, 69 Aldwych, London WC2B 4DX. Please state in your covering letter any company to which your application may not be sent.

associates IN ADVERTISING

FIRST CAREER MOVE CORPORATE FINANCE OR EQUITY SALES?

- Rewarding career moves are still possible for those with a good degree and interesting experience in stockbroking and banking.
- Our clients, who are all blue chip names in the City, are still seeking high calibre people who can achieve in the toughest markets.
- Would you like the opportunity to meet two City recruitment specialists for one hour to discuss your next move? (There are no costs involved and meetings are without obligation to proceed further if that is your choice.)
- All replies will be treated with the utmost confidentiality.

If you are interested please telephone John Lord on 01 977 8105 or David Jones on 0444 452209 or send C.V. to:
The City Resourcing Partnership
266 Bishopsgate
London EC2M 4QX

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Connaught Mainland

Fund Manager

Discretionary Management for Private Client Stockbrokers

Our client, a stockbroking subsidiary of a major bank, will shortly appoint a Manager to take charge of their discretionary funds. We would like to hear from candidates who have a strong background in this area. Experience should be either with a Merchant Bank or a Stockbroker. They should have a well-established captive client base.

This is an unusual opportunity for someone to build up a department and it could be used as an opening to bring a team with them. It represents a first-class appointment with a leading name in the investment world.

A substantial package will be negotiated but this is unlikely to prove a problem for the right candidate.

Please apply to: Jock Coutts, Career Plan Ltd., 33 John's Mews, London, WC1N 2NS, tel: 01-242 5775, or Anthony Jones on 01-348 3641 between 7.30 pm and 9.30 pm.

Career plan LIMITED
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CA

FINANCIAL OPPORTUNITIES

* EQUITY SALES
Large European Bank requires Sales people with 2-3 years experience selling European Equities into the U.K. Excellent packages for successful applicants. For further details please call Julie Shelley.
* CORPORATE TREASURY/FOREIGN EXCHANGE TRADER
Experienced person required to join professional team. Knowledge of foreign exchange spot and forward trading, all treasury products including options essential. Excellent opportunity and rewards for the right person. For further details please call Julie Shelley.
* CONVERTIBLE SALES £NEG.
Good houses require convertible sales people with 2-3 years experience. Languages and/or client base a great advantage. For further details please call Julie Shelley.
* SYNDICATIONS/NEW ISSUES £NEG.
European house seeks a Syndication/New Issues person with 3-4 years experience. For further information please call Julie Shelley.
* JAPANESE SALES
Very good experience required of selling Japanese Equities, convertible, warrants etc. Fluency in speaking Japanese would be a major advantage. Please call Richard Ward.
* BOND ANALYST
Good experience & knowledge required in the French, Swiss, Dutch & U.S. markets. Please call Richard Ward.
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Very good experience required in selling U.S. Treasuries. Quality House. Please call Richard Ward.
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Unique opportunity. Experienced with SPOT DM. DOLLAR. CABLE. Successful FX Dealer required by private company to run Dealing Room. Excellent basic salary plus substantial profit share. Annual earning potential well into 6 figures. Based in Manchester. Relocation expenses considered. Quote DF/713.
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TELEVISION

Wooed with cold war and agitprop

Christopher Dunkley on the last 'cosy duopoly' season before satellite arrives

Here we go then: back once more on the old green sofa in London, after a break for the Prix Italia, and a holiday which involved watching a bit of French and a bit of Welsh television (dear oh dear) it seems that we have begun the last autumn season before the age of satellite. This is the most important period of the year for television – the biggest and brightest new series have always been saved for autumn – so the existing terrestrial broadcasters, BBC and ITV, should now be working harder than ever before to please us.

They know that, come autumn 1989, we shall have an unprecedented number of alternatives to chose from. Assuming no disasters (which is assuming quite a lot) the very least we can expect by this time next year is an increase of seven new channels by satellite: four from Rupert Murdoch and three from BSB. Now is the moment when the "cosy duopoly" should be doing everything it can to ensure our loyalty once the new celestial Pied Pipers arrive, so how are they shaping up? Not awfully impressively.

The two biggest new drama series from ITV are both made with very high production values (location filming, expensive casts, authentic period detail) and may sell internationally, but they are both remarkably old fashioned. *Piece Of Cake* is yet another series about the Second World War, and *Game Set And Match* is yet another cold war spy drama. With the Russians pulling out of Afghanistan, promising to release their political prisoners (well, some of them), and planning a stock exchange to sell shares in state industries to the Russian people, *Game Set And Match* actually seems more out-dated than *Piece Of Cake*.

We have seen the camera pan from the German street scene to the Berlin Wall too many times before, as we have seen the long meaningful glances, and the studied eccentricity of the London "circus." Ian Holm is a perfectly adequate inheritor of the Michael Caine/Richard Burton/Sean Connery mantle, but the cold war metaphor used in spy stories by Le Carré and, as in this case, Len Deighton, now feels depressingly démodé.

Piece Of Cake has the advantage of being made by several former members of the Euston Films team, such as writer Leon Griffiths who created *Minder* and director Ian Toynton who proved his mastery of the action sequence on *The Sweeney*. Under his control, *Piece Of Cake* is at its most exciting and watchable when Spitfires are flying under bridges or dogfights are occurring.

Any claim to a raison d'être for the series outside sheer entertainment presumably rests on its refusal to accept traditional hero-worship of "The Few." Yet that bubble was burst in 1961 when Dudley Moore in *Beyond The Fringe* begged "Sir, Sir, I want to be one of The Few!" only to be told sternly by Jonathan Miller "I'm sorry Perkins, there are far too many." If, now, you want to re-write the myth and show that The Few were much like any other group of young men (which they presumably were) you need to do more than merely turn the whole thing upside down and make them out to be a bunch of shits.

The new season's drama from the BBC, on the other hand, mostly seems to be tarred with an agitprop brush. There is nothing wrong with radical drama, but the story and the characters must come first and the message must emerge naturally from them, otherwise the viewer gets the nasty feeling that fingers are being wagged at him and he switches off.

Both the BBC1 "detective" series *South Of The Border* and the BBC2 legal series *Blind Justice* seem more concerned with creating a sympathetic view of black people and wage-slave women, and whenever possible black wage-slave women, than with the guts of the drama. Consequently they feel as much like civics lectures as entertainment. There may be some truth in the belief that television, by displaying in fiction an unreal but desired social system (with the Inns of Court peopled by black female barristers, south London council estates by black female detectives) can help bring about that system in reality. But it does not make for credible or entertaining drama.

BBC1's *First Born* is considerably more entertaining, and it looks as though the message – something about man using genetic engineering to play god – will slide in fairly unobtrusively on the back of a strong narrative rather than being beaten into the viewer's head with an old copy of "New Society." However, the narrative, although strong, had some terrible holes in Episode 1.

For instance, if the Ministry of Defence wanted the gorilla/human hybrid for its warrior potential, as MoD man Lancing asserted, why did MoD man Forester talk about a species "with man's intelligence but not his homicidal aggression"? And when it comes to killing the infant does it seem likely that a military scientist with a lab full of drugs would choose to drive his Landrover across country at midnight and launch the child down a fast-flowing river in a Moses basket? Furthermore, how *could* adoptive father Christopher believe in "a mix-up at the incubators" to explain the human look of "Gordon" given that the baby was covered in gorilla hair when he arrived at Christopher's house?

Moving from drama to journalism we find the BBC striding determinedly backwards into its own past. *Out Of The Doll's House*, judging solely from this week's episode about health, is one of those series caught in the amber of sixties feminism. We were told of the embarrassment women felt before the NHS arrived about any illness below the waist, about nostrums bought from the chemist, and illness caused by housing conditions – for all the world as though men never suffered embarrassment, never bought chemist's potions, never suffered from bad housing conditions.

In view of the slither into tabloid television which has been proceeding across the medium's entire front it is, perhaps, no great surprise to discover BBC1 early on Saturday evening presenting *Hearts Of Gold* which borrows from *This Is Your Life*, *Candid Camera*, and *Jim'll Fix It*. Esther Rantzen pins paste medals onto worthy grannies and do-gooding neighbours, and goes out into the streets to do a 1949 cockney charlady act to see who will help her with a dropped flower arrangement. Nine out ot ten pedestrians obviously think "Oh dear, Esther Rantzen again" and hurry past. The short sighted and half deaf who are deceived are given more Toytown medals.

Michael Degen and Ian Holm in "Game, Set and Match" on ITV

Like *The Price Is Right* and *That's Life*, this new series is deeply vulgar, in the true Latin sense of pertaining to the plebeian, so it will no doubt be a roaring success in the ratings. The BBC will need some of those as well as its programmes of traditional quality when – if – the satellites are up and push comes to shove.

But does "traditional quality" really have to mean driving the *Nine O'Clock News* back into the mists of the corporation's Reithian past? Admittedly there is not all that much you can do with the format of a television news bulletin: you can switch from one to two presenters and vice versa; you can introduce or abandon the "busy newsroom" background; you can change the title sequence.

On Monday the BBC did all those things, and since their previous revolution had been an increase from one to two news readers and an abandonment of the busy newsroom, this week's revolution comprises a reduction from two to one and the reintroduction of the busy newsroom. Furthermore the ludicrously portentous "BBC News From Outer Space" title sequence, with those digital information blips raining down on London, has been replaced by what looks like a pastiche of the Ally-Pally mast symbol from the nineteen fifties combined with the splendid art-deco dust covers of the first four BBC Year Books (1928-31).

Can this possibly be the best way to maintain our loyalty in the face of the satellite threat? This article has not even touched on the new current affairs and comedy series, but if the BBC/ITV output over the last fortnight in those areas as in the others really has shown the best that they can do, then I shall be at the front of the queue for satellite dishes.

Madama Butterfly

COVENT GARDEN

As if to spotlight the ever-open doors of the new regime in Floral Street, Scottish Opera's production of *Madama Butterfly* arrives at the Royal Opera House exactly a week after the Welsh National *Falstaff*. Max Loppert reported upon this *Butterfly* when it was first seen in Glasgow in April 1987, welcoming it wholeheartedly as "a superbly strong, fine-tuned piece of music theatre." Much of that distinction is preserved at Covent Garden.

The production marked Nuria Espert's debut in the opera house. She is to produce *Rigoletto* at Covent Garden in December and this staging, which she has re-rehearsed, introduces this aspect of her work to London audiences. Its sheer rightness on stage is breathtaking: Ezio Frigerio's rambling, shambling Japanese tenement fills the proscenium space and instantly defines the genteel poverty in which the tragedy is enacted, while neighbours peer through balconies and round screens to watch the destruction, and the understated updating to the 1920s is chiefly resolved through Franca Squarciapino's perfectly-matched costumes.

Nothing jars and Espert's clean, uncomplicated elucidation of the story penetrates to the kernel of its cruelty. The *paradox of Butterfly* – that its theme may be universal and ever-relevant, yet it still resists wholesale relocation to any other culture context – seems more telling than ever. The final moments, one of the few passages in which Espert deviates from strict fidelity to the libretto, are heart-crushingly direct: a whirlwind of emotions is suddenly channelled into a single gesture of despair.

Had the musical standard of the evening equalled the dramatic it would have made one of the most memorable occasions in recent Covent Garden seasons. But it is not quite there, yet; one is prepared to believe that with firmer control from the pit (Michael Schonwandt conducts) everything could be pulled together, and a more thrilling equation of orchestra and singers could be created. Too much lacked in excitement and polish last night; coarse-grained loudness had to substitute for carefully generated tension.

By the second act, however, the leading singers had managed to cut something of an impression. Catherine Malfitano's Butterfly looks exquisite, tempering toughness with vulnerability, and is unfailingly musical in her singing; more power (or perhaps more sensitive accompaniment) would have been welcome. Arthur Davies's Pinkerton took a while (much of the first act in fact) to settle but his appearances in the final scene was altogether more convincing. There is a well-finished Suzuki from Miao Qing, a Chinese mezzo making her house debut, and a finely-moulded Sharpless from Jonathan Summers. There are few weaknesses among the smaller parts either, merely plenty of scope for someone to draw together and project the performances on to the higher plane the production so richly deserves.

Andrew Clements

Promised Land

EVERYMAN, CHELTENHAM

There is no pretence of indifference in John Stock's piece about Israel at the Shaftesbury Hall: the Arabs are the patient, courageous victims of the brutal, unreasonable Israelis. Karim Alrawi has devised a fairly simple plot, though director Nick Broadhurst has added a good deal of decoration illustrating the various characteristics of each side. Alrawi provides himself with a weak-willed protagonist always looking for the most profitable course. Radi (Vincent Ebrahim) is a decent Arab *labourer* at first, competing with his fellows for such work as the Israelis will offer.

He then encounters an Archangel (Leo Wringer) who has been brought down by lightning. He also meets a "born-again" rabbi, whose motto is "The Bible is my real-estate deed," and a notorious Israeli colonel, Bloody Boss (Tony Guilfoyle). The colonel's son Rudi has quit the Israeli forces to live in Chicago. Radi is so like Rudi (being acted by the same player) that the colonel enlists him as an Israeli soldier, with Rudi's ID card.

In the second act we see what sort of soldier he turns out. He is careless about the map-references he gives the choppers and the bombers. He even orders a few raids on targets made up on the spur of the moment. When his wife comes to the well his unit is guarding, in an uncharacteristically sentimental passage he declines to recognise her or allow her to draw water.

Seduced by the easy profits that seem to flow from Israeli settlements on Arab land, Radi he leaves his post and goes back home; but his deserted wife is to marry someone else and he is arrested by his old comrades.

He is still for Israeli settlements, but the Archangel appears again. "It's not the man but the choices he makes that matters," Radi says, so, with another about-turn, he asks that all the Arab villages that the Israelis have destroyed should be restored; and one by one they shine through the hills of Paul Dart's backcloth.

There is much cabaret-style humour with little reference to anything, including a long talk about arse-wiping borrowed from Rabelais, and a chat with the Rabbi's son about masturbation. It needs to be funnier to justify its inclusion. The acting varies from efficient to good; certainly Leo Wringer, in half a dozen parts, from the quasi-American Rabbi to the Archangel, with nothing on but his silver wings, is never dull. But at times the introduction of so many evidently spontaneous ideas makes it hard to keep the attention on the play, and the ruthless doubling of parts works against any depth of playing.

Promised Land plays at the Gulbenkian, Newcastle, from November 3 - 5, and then at the Drill Hall in London from November 8 - 25.

B.A. Young

Randy Warshaw

THE PLACE

When the American post-modern dancer Trisha Brown came to London in 1979, her debut performances prompted little local excitement and some scorn. Her return visits in 1983 and 1987 made an altogether bigger splash: a measure of Dance Umbrella's recent success in weaning prim British palates *onto the latest American dance* idioms.

There are now British audiences eager, too, for the work of Brown's alumni: On Monday the The Place was sold out for the Randy Warshaw Dance Company's first performance.

As yet, Warshaw's choreography is very close to the mother source. Crucial to the idiom of both is the sense of dance as current. You see movement passing along the body, carrying dancers across the stage – and enlivened by constantly shifting dynamic inflections: whorls, cascades, rapids, pools of motion. The spirit is casual, colloquial; men and women dance as equals, as working colleagues.

Sanctus, the first of the two works shown here by Warshaw, feels like the flip side of Brown's 1985 *Lateral Pass* (a piece not yet seen in Britain). Both feature vivid, superfluous scenery and saccharine, minimalist scores; in both the choreography embellishes its lambent, un-rigorous stream of motion with straight or right-angled positions. You feel at times a subtle variety of texture in the dance phrase. The style is flat-footed, the planted heel anchoring the weight of the body as it tips this way and that. The liveliest passages occur in encounters between dancers – particularly in some duets involving Bill Young, where he is plainly a man *more* partnered than partnering. Elsewhere the choreography is all palatable, but unmemorable: in one eye, out the other.

The other work, *Fragile Anchor*, is a clearly structured and accumulating composition that soon proves too tepid for comfort. Despite such handsomely sculptural details as the open palms, or the weighty hops in downward-facing arabesque, my main impression is of an overridingly soft-grained mood. Little is done to animate the space beyond each body's personal reach; and with each dancer locked into his or her own small personal space, even when moving parallel or in unison, the tone became that of a group trance. The dappled texture that has proved initially attractive in the first minute of *Sanctus* is essentially, despite changes of tempo and language, the same dappled texture throughout both works. Too muted to have force, too solemn to be fun.

Alastair Macaulay

More Schoenberg

FESTIVAL HALL

On Monday it was the turn of the Bournemouth Symphony to contribute to the South Bank's "Reluctant Revolutionary" conspectus. The conductor Matthias Bamert must have spent much time preparing the orchestra for Schoenberg's 1936 Violin Concerto; the evidence for that lay not only in their careful articulation of Schoenberg's score, but in their lacklustre preliminary trot through some familiar Brahms Hungarian Dances – as damp a concert-opening squib as I can remember. Later, fortunately, their account of the Fourth Symphony did Brahms far better justice: a touch dry, a trifle stiff, but quite well-built and sturdy.

In the Violin Concerto Bamert took pains never to cover up the the fiendishly difficult solo part, which Pierre Amoyal delivered with sovereign assurance. Indeed, it was Amoyal who kept the music vital: despite a penchant for smoothing out dotted-notes (at some cost to rhythmic point), and another for sustaining the last notes of phrases *molto vibrato*, he addressed his role with authority. Few violinists who can boast such spectacular technique are inclined to lavish it on Schoenberg.

By comparison, inevitably, the Bournemouth band sounded cautious about venturing to characterise their own music, though several exposed solos were creditably neat and clear. Like other twelve-note Schoenberg scores, the Concerto needs a lot of playing-in before orchestral musicians can be confident about the exact expressive sense of their parts. Bamert made sure at least that the main musical elements always stood out; and he was notably successful, episode by episode, in capturing Schoenberg's delicately fantastic orchestral colours.

What was under-realised in this performance was the long-range symphonic drive of the piece. The opening "Poco allegro" pages went like a dirge, and thereafter most of the quicker tempi were a notch or two below par; where the music should spring forward – as in the scherzoid middle of the Andante – it trod warily. As in Schoenberg's later Piano Concerto, there is a reckless proliferation of parenthetical asides, challenging his performers to ensure that the main thrust isn't obscured. Sedulous, even-handed attention to every episode does obscure it, especially at anaemic tempi. The Concerto carries more explosive drama than we heard, this time; but at any rate we heard it expounded lucidly and gratefully.

David Murray

Prudential puts orchestras on the road

In a dramatic sign of the times the Arts Council is getting together with the Prudential Corporation to fund a three year drive to take the four main London orchestras into the regions. This is perfectly in tune with the aims of the Minister for the Arts, Mr Richard Luce: to graft business sponsorship on to public subsidy, and to spread the arts at the highest level away from the capital.

Both sides will contribute £100,000 a year to meet the orchestras' expenses, with the Prudential investing another £200,000 over the three years into advertising and general promotion of the 90-odd concerts. A feature of the deal is that the orchestras – the RPO, the LPO, the LSO, and the Philharmonia – will perform exactly the same programme, with the same conductor and soloists, in such venues as Wolverhampton, Skegness, Carlisle, Northampton and Middlesborough, as it previously presented in London.

All the orchestras have toured the regions in the past, but often without their principal musicians. This time the first team travels. In all 19 cities will be visited in the first season, with the programme kicking off in October 1989 with the Philharmonia, under Salonen, performing a Russian programme at the Newcastle City Hall.

For the Prudential this marks the start of a greater and more concentrated involvement in arts sponsorship as part of its efforts to promote a sharper, modernised, image. More initiatives are planned. It is also hoped in time to include tours of the regional orchestras, like the Halle and the CBSO, in the Prudential Great Orchestra Series.

Antony Thorncroft

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ARTS GUIDE

October 28-November 3

THEATRE

London

Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre in Paris (638 8891). Oct 28, Nov 4,5,11-15.

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).

The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).

The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, CC 379 6233).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller. Burlesque sketches. (836 8888).

Utrecht

English Shakespeare Company opens its Dutch tour of all the history plays with Richard II (Tue), Henry IV, Part 1 (Wed) and Henry IV, Part 2 (Wed). Stadsschouwburg (31 02 41).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music. (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Driving Miss Daisy (Eisenhower). Julie Harris stars in the Pulitzer Prize winning play about a black chauffeur and his elderly, understanding mistress as the South undergoes sweeping changes that cannot help affecting them. (254 3670)

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3679).

Chicago

Romeo and Juliet (Goodman) The season is well underway with Michael Maggio's production set in the Italian section of an American city at the end of the first world war. Michael Cerveris and Phoebe Cates star. Ends Nov 5 (443 3800).

Tokyo

Kabuki (Kabuki-za). Performances at 11am and 4.30pm. In the afternoon: Kagamiyama Gonichino Iwafuji. This play is based on a scandal that occurred in court shortly before it was written but, in typical kabuki fashion, transposes it to a remoter age. It is noted for its spectacle and stars kabuki's greatest showman Ichikawa Ennosuke III, who plays seven roles and performs his celebrated mid-air stunt, floating over the heads of the audience. Excellent programme and earphone commentary in English. Tickets also available for a single act. For details, enquire at the theatre.(541 3131).

Aoyama Theatre. The 35 Steps. Musical revue by the Shiki Theatre Company, which specialises in musicals and is 35 years old this year. Extracts from major Shiki productions, from West Side Story to Phantom of the Opera (0120-489444).

Gorky Theatre, Leningrad, in Peter Schaffer's Amadeus (Mon, Tues, Thurs), Uncle Vanya (Wed) Globe Theatre (572 6331). The Bolshoi Drama Theatre, better known as the Gorky Theatre, was founded in 1919 and is one of the Soviet Union's most popular and most innovative companies. Its repertoire is strong on both the classics and on new plays by Russian writers. In recent years its repertoire has been widened to include new, if uncontroversial works from the West, by the likes of Schaffer and Neil Simon.

SALEROOM

In the balmy days before the Portuguese Revolution the price of Chinese works of art spiralled as rich Portuguese competed for flashy examples. Come the revolution the market fell sharply. Yesterday a Portuguese buyer put the clock back by acquiring the two top lots in an auction of Chinese export porcelain.

He paid £49,500 for a pair of "famille rise" Qianlong pheasants, almost 13 inches high, and £30,800 for another pair, this time of hawks. To help things along a Brazilian bidding on the telephone paid £19,800 for a Jiaqing teapot and cover painted with the arms of Brazil. The sale totalled £539,688 with 28 per cent bought in: the main casualty was a pair of rococo tobacco leaf Quianlong ice pails, which were bought in at £24,000.

At Phillips two still lifes of fruit by Eloise Stannard both doubled their estimates, selling for £9,900 and £9,350, while in a furniture auction an 18th century oak dresser quadrupled its estimate, making £12,100. A curiosity was a late 19th century artist's articulated mahogany model of a horse and *female rider*, with some parts missing: it sold for £3,600 as against a £500 estimate.

Antony Thorncroft

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Wednesday November 2 1988

A rosy scenario

THE BRITISH Chancellor's most remarkable quality is his ability to exude confidence under pressure. This time last year he promised steady growth, low inflation and only a tiny increase in the current account deficit – to £2¾bn. In the event, all these forecasts proved quite inaccurate. Nominal demand has been allowed to grow far more rapidly than foreshadowed in the medium-term financial strategy. The result has been a severe deterioration in the balance of payments – the Treasury now expects a current account deficit of £13bn in 1988 – and a worrying rise in pay and price inflation. Yet the Chancellor is not even faintly contrite.

On the contrary, he has produced a set of forecasts that are, in their way, every bit as *complacent as last year's. Inflation*, after reaching an unspecified peak in the first half of 1989, will resume its downward trend. The current account deficit will fall by ½ per cent of gross domestic product. And output growth will decline from 1988's unsustainable rate – but not by too much: real GDP will still rise by 3 per cent. By the second half of the year domestic demand will be growing at an annual rate of only 1½ per cent: production will have been effortlessly switched from home to overseas markets.

Softest landing

This is indeed the softest of all possible landings. One can only hope Mr Lawson's forecasts are correct. But the failure of the Treasury – and almost all other forecasters – to read 1988 correctly does not inspire confidence. Inflation may well prove harder to control than the Chancellor envisages: much depends on pay bargaining behaviour this winter. The ability of British companies to improve their export performance as domestic demand slows is uncertain. This year imports are expected to rise by 12 per cent in real terms and exports by only 1½ per cent. But in 1989, says Mr Lawson, exports are scheduled to grow one percentage point *faster* than imports.

Mr Lawson was at his most ebullient when discussing trends in public expenditure and debt repayment. The shortfall in public spending this year mainly reflects higher than expected asset sales and the impact of unsustainable growth on social security payments. It is not therefore a cause for great celebration. Looking ahead, the Chancellor offers the enticing prospect of 3 per cent real growth of programme expenditure combined with a declining share of total public spending in GDP. This is not, of course, because he envisages 4 per cent plus growth of real GDP. It is mainly a consequence of the fall in the debt service burden brought about by the shift from budget deficit to budget surplus. In other words it is again a by-product of unexpectedly rapid growth.

Key areas

The Government's willingness to make available additional resources in key areas such as health is welcome. But the extra money is likely to be quickly swallowed up in higher staff and equipment costs. The NHS faces a much higher internal inflation rate than the economy as a whole. In health, as in other social policy areas, the Government has yet to resolve a medium-term dilemma. This is that demand for these publicly provided services is likely to rise more than proportionately to GDP. Savings on unemployment benefit and debt interest, however, are short-term cyclical phenomena. It is not easy to see how these legitimate medium-term demands can be reconciled with the goal of reducing public spending as a fraction of GDP.

In the shorter-term this year's serious demand overshoot suggests that both fiscal and monetary policy require firmer foundations. In March, having achieved a balanced budget, Mr Lawson said he intended "to stick to it." That is now obviously impossible: it would mean tax cuts of £10bn. Fiscal targets which pay no attention to the cyclical state of the economy now look part of history. Yet monetary policy has also broken adrift from its previous moorings. The aggregates are unreliable and a formula is required for balancing the often conflicting requirements of external and internal stability. Progress might be easier if the Chancellor were more willing to admit that serious policy issues remain unresolved.

Mrs Thatcher in Poland

THE CONJUNCTION of Mrs Thatcher's visit to Poland, due to start today, and the announcement that the Lenin shipyard in Gdansk would be closed next month, could make an explosive mixture. The Prime Minister, the first head of any British government to visit Poland, will have to tread carefully not to become too embroiled in the country's domestic situation, given the obvious desire of both the authorities and the banned Solidarity trade union to enlist her support for their respective causes.

Usually, it is the host government which warns visiting foreign leaders not to intervene in its internal affairs. On this occasion, General Jaruzelski, the Polish leader, and his new Prime Minister, Mr Rakowski, have devised a clever stratagem for using Mrs Thatcher to outwit their redoubtable political opponent, Mr Lech Walesa, the Solidarity leader. Having been forced to accept as a condition for Mrs Thatcher's visit that she should be allowed to have a private meeting with Mr Walesa, the Polish leaders have publicly praised her for the effective manner in which she has curbed the power of British trade unions.

Loud and clear

That message to the Polish people, which has gone out loud and clear, particularly from Mr Rakowski, is intended to neutralise the public support that Mrs Thatcher will certainly express for democratic reforms in Poland. Yet it would be most surprising if the British Prime Minister did not turn the tables on her hosts. She will not hesitate to use the opportunity offered to her to argue that the trade union movements in Poland and Britain are very different. While her aim in Britain was to introduce democratic practices into trade unions which were abusing their powers, in Poland Solidarity had been fulfilling the role of a democratic opposition to an authoritarian Communist regime.

It is because of the prestige and support Solidarity has won in this role that the closure of the Lenin shipyard, where the union was born in 1980 and which is still its main stronghold, has come as such a shock to the Polish people. Certainly, there can be little argument that its demise is justified on economic grounds. It has been making large losses and absorbed even larger state subsidies. But its symbolic position as the home of Solidarity is such that the move can only be seen as a calculated provocation by the Government, at a time when it is purported to be organising a round-table conference with the trade union to discuss its future status.

Economic advice

While not postponing the closure of the shipyard indefinitely, the Government could have started its reform programme by shutting down or restructuring other, less politically sensitive plants. As things are, it is difficult to see how the round-table discussions can be held in the foreseeable future, given the deterioration in the political and industrial relations climate caused by the Government's Lenin yard decision.

Exceptionally, for a Western leader visiting an East European country, Mrs Thatcher has been openly invited by the Polish leaders to give her advice on how they should run their economy. "I would very much like to be a pupil in her school," Mr Rakowski has been quoted as saying. The Prime Minister will need no second invitation. To those who will try to represent the Lenin yard closure as exactly the kind of industrial rationalisation that Mrs Thatcher has carried out in her own country, she will be able to give a telling answer. It all depends on the context in which such action is taken. Economic reforms, however urgent, can only be effective in an environment of political freedom, as Mr Gorbachev, the Soviet leader has already realised. That is a reply which may please Mr Walesa rather more than it does General Jaruzelski.

David Buchan reports on a power struggle at the heart of the EC

Master and the restive servant

Last week Mr Jacques Delors, president of the European Commission, picked up the gauntlet which Prime Minister Margaret Thatcher had flung down a month earlier on the floor of Bruges town hall.

Warning of what she saw as the looming menace of a European superstate, Mrs Thatcher said her European ideal of "independent sovereign nations" working more closely together "does not require power to be centralised in Brussels or decisions to be taken by an appointed bureaucracy".

Mr Delors has now hit back on the key question implicitly raised by Mrs Thatcher: is the Commission, which proposes and executes policy, the servant or master of the 12 member states, which decide policy through the Council of Ministers? Speaking to the European Parliament, Mr Delors complained: "It is not enough to question the loyalty of the Commission. Those who accuse the Commission should show how it is going beyond its responsibilities."

The issue is confused by the ideological difference between the conservative British prime minister and the socialist Commission president. As a Delors adviser succinctly put it, Mrs Thatcher is asking: "Europe – right or wrong, but also right or left?"

Particularly dividing London and Brussels – more so for the moment than EC tax and monetary plans – is Mr Delors' push for a voluntary European company statute under which workers could participate in management decision-making. The Downing Street press office could not have worded Mrs Thatcher's reaction any better than Mr Delors did when he said recently that Britain saw him "as some kind of red demon trying to fan the dying embers of socialism."

On the issue of a possible "social dimension" to the Community, Mrs Thatcher stands alone in opposition. Not only are the socialist governments of Greece, Spain and France – the current and the next two holders of the EC Council presidency – against her, but so is a band of centre-right leaders led by Chancellor Helmut Kohl.

But Mrs Thatcher is not the only European leader – merely the most outspoken – to wonder whether the Commission is becoming more master than servant of the member states in certain areas.

The governments which make up the Council of Ministers still hold the reins by virtue of their collective power of final decision. Mr Delors riled Mrs Thatcher with his prediction that in 10 years' time "80 per cent of economic legislation, and perhaps tax and social legislation, will be decided at the Community level." But even if Mr Delors' forecast proves correct, who will be taking most, if not all, of this "80 per cent" of decisions? The answer is that the Council will, not the Commission.

Delay can also be as potent a Council weapon as decision. A Commission proposal on architect qualifications, for instance, took 17 years to reach the EC statute book. For the past 15 years the Commission has been trying to get member states to pass control of large Community-scale company mergers to Brussels. In the opinion of one UK diplomat, "the Commission's right of initiative pales into insignificance beside the Council's right of decision." Of course, there is a serious separate issue of whether the Council, as a collective body taking most decisions by majority vote, has not slipped away from the democratic control of national parliaments. A national parliament's control over its government is of less use when that government can be outvoted in the Council.

But the 17-man Commission remains permeable to member states' influence in a host of ways, good and bad. Most obvious is the right of governments every four years to nominate individual commissioners, and the right to replace (as Mrs Thatcher has done with Lord Cockfield) commissioners they feel have "gone native" in Brussels and taken insufficient note of their home country's interests.

Rivals for the EC's soul: Jacques Delors and Margaret Thatcher

Moreover, the doubling of EC structural funds, giving the Commission Ecu 55bn (£36.3bn) to spend on regional and social aid over the next five years, will, almost by chance, allow member states to plant more of their own civil servants inside the Berlaymont, the Commission's Brussels headquarters. The Commission is hiring an extra 250 people this year, specifically requesting "national experts" who can return to their home civil services after helping reform the EC structural funds, rather than permanent Eurocrats with undivided loyalties to the Community which it would have to keep on its payroll.

Member states' restiveness with the Commission concerns not only the means the Brussels executive has been using, but also some of the ends it has been pursuing. EC leaders at their Hanover summit in June agreed to put Mr Delors in the chair of the new committee studying possible new steps towards monetary union, but many are nervous lest this give the Commission the institutionalised role in monetary affairs which it sought, but failed to get, in the Single European Act. Outright hostility may greet any attempt by Mr Delors to fulfil, during the next (1989-92) Commission term, his ill-concealed ambition to extend Commission competence into defence procurement and policy.

The Commission's main power stems from its monopoly right of proposal. This power, which among international bureaucracies is unique to the Commission, was designed to suppress national egoism. The one exception is that any proposal for an intergovernmental conference, in order to amend the treaty (such as with the Single European Act), must come from member states. So the Commission writes the agenda for Community work, an agenda that the Single

The Commission's main power stems from its monopoly right of proposal

European Act broadened to cover research and technology, environmental protection, social policy and, to some extent, monetary cooperation. (In the last field, however, the Single European Act stipulates that any change in existing institutions, such as some future transformation of the European Monetary Cooperation Fund into a European Central Bank requires treaty amendment.)

But battles have occurred between Commission and Council over the legal basis of the former's proposal. This would be fairly arcane but for the Single European Act's important innovation that introduced majority voting in the Council on certain types of measures (particularly internal market harmonisation under article 100A), while retaining unanimity for proposals primarily relating to health (article 100), environment (article 130S) and, of course, indirect taxes (article 99).

Not surprisingly, the Commission has tended to choose as the legal bases for its proposals those permitting Council voting by so-called qualified majority (weighted by size of country), while the Council, or those that feel threatened by a Commission proposal, have sought legal bases that require unanimity.

The Catch-22 for individual member states is that, to amend a Commission proposal – and therefore its legal basis – requires Council unanimity. But since the Single European Act, member states no longer cling together as they used to. "There has been a virtual collapse of unanimous support inside the Council for unanimity itself," says one diplomat. Given the way the procedural cards are now stacked in its favour, he believes the Commission now has "a heavy responsibility to choose the proper legal base on objective legal grounds". The strong suggestion by many diplomats is that the Commission has not been properly exercising this responsibility.

The procedural tug-of-war between Council and Commission is even more intense in the obscure area of "comitology". This is the name given to the structure of committees through which the Commission implements a Council decision. No member state argues with the need to delegate to the Commission the increasingly awkward and technical details of month-to-month (or day-to-day, in the case of agriculture) implementation of Community legislation. But they do quarrel with the Commission trying to write itself the equivalent of a blank cheque.

There are three types of committees of national officials by which the Commission, always in the chair, consults member states on implementing measures. The first, the nearest thing to a blank cheque, is "advisory". The Commission simply has to take "the utmost account" of the committee's opinion. To its subsequent regret, the Council agreed last year that "predominant place" should be given to such advisory bodies for implementing internal market harmonisation.

The second is a "management" committee, which can overrule a Commission proposal by a qualified majority (for example, 54 out of 72 votes). It is most common in the agricultural area. The third and most heavy-handed is a "regulatory committee", which must positively approve a Commission proposal by qualified majority. In other words, a Commission measure must have 54 votes in favour to take effect. A variant of this, known as "contre-filet", allows the Council to overrule the Commission by a simple majority (or seven out of 12 countries).

The Commission generally has the whiphand, because the Council must have unanimity to overrule the Commission's proposed choice of consultative committee. It has angered many member states, not so much by always proposing "advisory" committees on internal market measures, but by absolutely setting its face against the "contre-filet" procedure even in sensitive matters such as health. One result was that recently on food additives, the Council refused to delegate any powers whatsoever to the Commission. Instead, the Council has insisted that every food additive measure must be passed as a full directive.

The obvious answer to Mrs Thatcher's sneer about the Commission as an "appointed" bureaucracy would not be to make it elected (as proposed by ex-President of France Giscard d'Estaing), but to make it subject to more control by the directly elected European Parliament.

But some in the Council, even those governments who (unlike the UK) pay lip service to the Strasbourg assembly, now see the European Parliament more as a partner in crime with the Commission. Since the Single European Act, Commission proposals go first to the European Parliament for a first reading, and then to the Council. The upshot is that the Council is confronted with an alliance between Commission and European Parliament – the two supra-national bodies in the EC – before it even starts formal discussions of its own.

In other areas, the Single European Act has made the European Parliament a potential thorn in the side of both Commission and Council. The European Parliament now has a formal say on EC's association accords with non-member countries (exercised this year to delay agreements with Israel) and any enlargement (likely to be used on Turkey's EC entry bid over the next year or so). In this way, the European Parliament is clearly becoming an unseen partner at certain of the Community's international negotiations – a role which, of all Western parliaments, only the US senate so far has.

Yet if Mrs Thatcher really wants better control of the Commission, the European Parliament may be her best ally, much as she might dislike it as a rival to Westminster and national parliaments, because of its role as a check on the Commission. Surely the best tactic is to follow countries like Belgium which have joint parliamentary scrutiny committees of national and Euro-MPs, so that positions taken by governments in the Council have a more solid base at home and in Strasbourg.

OBSERVER

Japan's star falling

■ Journalists have an advantage when it comes to the Amex Bank Review Awards: they can write, especially when there is a limit of 5,000 words. This year's $15,000 first prize has gone to William Emmott of The Economist for his essay on The Limits to Japanese Power, and a very punchy piece of work it is. Emmott argues that Japan's huge capital surpluses are unlikely to last and may disappear altogether by 1995.

The reasons are the strength of the yen, increasing Japanese travel abroad, a decline in the savings rate and demographic change, which will raise the cost of looking after the elderly.

"Anyone wishing to sell art, racehorses or other assets to the Japanese," he writes, "must do so during the next five years or so; after that the Japanese, like the Arabs before them, will fade as the international buyer of first resort." But the country will become the leader of a yen bloc in Asia rather as West Germany became the leader of a Deutsche Mark bloc in Europe and the development will be, on the whole, benign.

As a correspondent in Tokyo Emmott made his own contribution to luxury imports. He ignored the regulations about storing an emergency bottle of water in case of earthquakes, and instead buried a couple of bottles of Beaujolais in the garden.

Duke's wife

■ Something strange has happened to Governor Michael Dukakis. Suddenly the dry technocrat is behaving like a presidential candidate, slipping off his jacket, delivering fire-in-the-belly stump speeches and, most important of all, making full use of his wife, Kitty.

She is an elegant 51-year-old lady who has travelled more than 50,000 miles since the campaign began in earnest last August. In two months she has visited more than 88 cities in 25 states, and given around 900 interviews. But whereas three-quarters of her time used to be spent on her own, she is at last being put to her best use, next to her husband.

Kitty Dukakis steps to the microphone in that familiar fiery red dress and speaks forcefully about what a warm and likeable man her husband really is. She tells the story of how the Governor married her even though she was a single parent, how he stood by her after they lost an infant baby, and how he backed her effort to kick her addiction to slimming pills at the beginning of his presidential campaign.

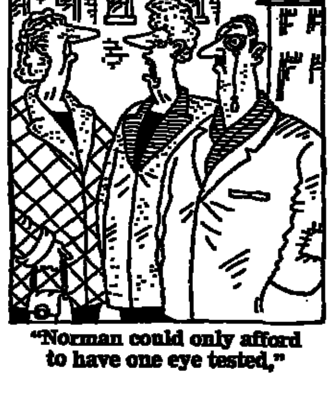
Audiences usually lap it up. In *Chicago* last week, the crowd roared when "the Duke" told them that if Kitty were running at the top of the ticket, the Democrats would be running ahead in the polls. In Independence, Missouri an audience of sober Mid-Westerners reserved some of their biggest cheers of the evening for Mrs Dukakis.

Yesterday, however, the strain began to tell and the candidate's wife went into hospital in Minnesota with a high temperature. Nothing serious, but there are only a few days' polling left for her to support the man who has finally proclaimed himself a liberal.

Florence ban

■ Some people may wish that this had happened in London. The people of Florence went to the polls at the weekend to say what they thought about traffic congestion in the city. True, the referendum was only consultative and referendums are very much the fashion in Italy at present as a means of settling arguments between governing parties. It is also true that the turnout was low, but only by Italian standards. Just under 44 per cent of the citizens voted and did so overwhelmingly in favour of limiting the chaos and reducing the pollution.

Around 72 per cent of the participants want complete exclusion of traffic from the city's historic centre and 75 per cent are in favour of banning tourist coaches. Florence's Communist councillor *for traffic feels vindicated by* the result, although the shopkeepers and their political allies are already questioning the ballot because of the turnout. Still, the pressure will be kept up. In London – especially against the coaches – it seems hardly to have started.



"Norman could only afford to have one eye tested."

Mercuryman

■ Gordon Owen, the 50-year-old managing director of Mercury Communications, has achieved something of a coup in engineering his appointment as deputy chief executive of Cable & Wireless, his parent company.

Not only has he put himself in an excellent position to take over from Sir Eric Sharp, the company's 72-year-old chairman and chief executive, when and if he retires. He has also successfully elbowed out of the way his main competitors for the job – Brian Pemberton and Jonathan Solomon. Both will now report to Owen.

Owen's route to the top, however, is not entirely without obstacles. He has still to prove that Mercury can be the effective competitor to British Telecom that it was originally intended to be. And the *pint-sized former rugby player*, who cannot be faulted for his footwork, has yet to convince the City that he is also a heavyweight. In recent years he has become a keen apiarist.

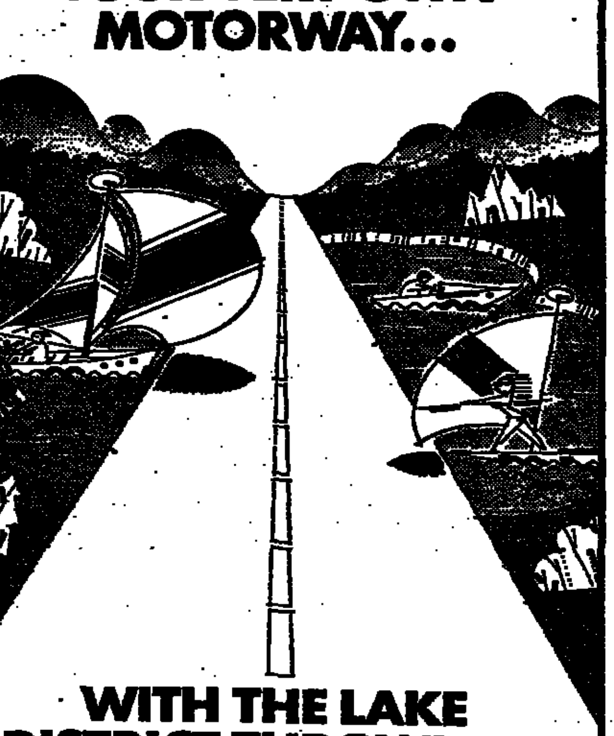
Law's delays

■ Since he became Master of the Rolls in 1982 Lord Donaldson has issued an annual review of the work of Civil Division of the Court of Appeal. Much of the content is about the law's delays. A current problem is that the court's computer is too small to provide all the relevant information on legal decisions. There is also a shortage of court rooms and, on dealing with appeals, the best that Donaldson can report in the latest review is that the court is holding its own rather than reducing waiting times. There *is, as he admits, still room for* improvement.

Lights out

■ One story leads to another. A reader asks: "If you cut a glow-worm in half, would it be de-lighted?"

YOUR VERY OWN MOTORWAY...



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FT 2/11

Peter Marsh talks to Jeremy Rifkin, opponent of bio-technology

The one-man pressure group

Jeremy Rifkin has been called a modern-day Luddite. His campaign against what he perceives as environmentally damaging technologies has struck an important chord among people in the US concerned with or confused by technological change.

Mr Rifkin came to the public eye through a series of victorious court cases against US companies, especially in the fields of biotechnology and genetic engineering – unscrambling genetic fragments in people, animals and plants to make biological mechanisms more efficient or to invent new products.

This sort of work is becoming very important to pharmaceutical and crop protection industries. But Mr Rifkin believes much of the research is threatening. It could, he says, lead to the emergence of new life forms or other kinds of damaging organisms.

To contest such aspects of biotechnology-based studies, Mr Rifkin organised a succession of law suits preventing US groups from testing new genetically engineered pesticides and tinkering with the biological composition of animals.

More recently, Mr Rifkin has focused on wider environmental issues, such as the erosion of the ozone layer by man-made chemicals and the greenhouse effect – the build-up in the atmosphere of industrial gases which is thought to be disrupting weather patterns.

Mr Rifkin says his main aim is to attract attention to fast-moving technologies which could have huge social and economic implications. "We can no longer have the attitude that if something can be done, it will be done. We have to look at the benefits and the risks. We have to be able to say no."

In conversation, Mr Rifkin, now 43 years old, is relaxed and humorous. The impression he gives does not entirely tally with his opponents' charges that he is a rabble-rouser bent on disrupting the fabric of US science-based industry.

He is, however, very good with the sharp phrase or acid comment – which makes him a hit at lectures and public meetings across the US. On a podium he is said to be capable of displaying a rhetoric which can whip audiences into a frenzy, either for or against. Recently, one US stockbroking firm planned to invite Mr Rifkin to its annual conference for clients. Fearing the gathering might turn into a lynching party, it abandoned the idea.

Some scientists are bemused by Mr Rifkin. They say he does not understand technical concepts and is alarmist. "I'm not sure what his agenda is," says the head of research at one of the US's big chemicals companies. Another senior corporate scientist says "Rifkin isn't helping anyone, he's just trying to stir things up."

Others are more severe. "Mr Rifkin is antediluvian – and dead wrong," says Richard Godown, president of the US Industrial Biotechnology Association, representing 83 companies, many of which are receiving Mr Rifkin's attacks.

The consensus among onlookers is that Mr Rifkin has rarely managed to hold up specific scientific projects for long, but that he has had a strong disruptive effect. "He has tempered any feelings of arrogance in the (biotechnology) industry that it is free to do as it likes," says one observer.

In facing up to his critics, Mr Rifkin is almost proud to admit he has no formal scientific training. He studied economics before he moved into political campaigning in the 1960s. He now works from a cramped office in downtown Washington, the home of the ambiguously titled Foundation on Economic Trends, which he started in 1977. Backed by modest resources (largely charitable grants and lecture fees) and with a full-time staff of five, Mr Rifkin owes his success largely to a flair for publicity and an ability to find legal mechanisms to interfere with the plans of opponents.

His biggest objections to genetic engineering, he says, are ethical. He believes the building blocks of life are too precious to be tampered with in laboratories.

"The new gene-splicing techniques go much further than classical breeding programmes like crossing a donkey with a horse . . . Scientists are talking about reducing all living things to segments of DNA (the main bearer of the code that governs biological reproduction). If this happens we will have a new definition of life. A horse will no longer be a horse but a temporary creation of computer programs."

He is particularly scathing about the capability of genetic engineering scientists to think about the social consequences of their work. This is a controversial view given the debates that took place in scientific circles in the 1970s when many new biotechnology concepts were pioneered. "We can't have a small scientific and corporate élite dictating the introduction of new ideas," he says. "A scientist who has spent his life peering down a microscope will take a microscopic view of the world."

Mr Rifkin has recently found a new hobby-horse in the greenhouse effect. This has been under study for a decade but has received much attention in the past year in the US, largely thanks to the severe drought. He is also worried about the effects of pollutants from car exhausts and chemicals manufacturing. "Our generation is both blessed and cursed," he says. "We have a cornucopia of benefits but these come in the short term. The disadvantages come in the long run."

He thinks much of modern technology has been oversold. Thus he reckons that many of the much-vaunted advances in health care are the result not so much of new science-based pharmaceuticals but of better hygiene. Mr Rifkin is not overly fond of modern transportation methods as represented by cars and aeroplanes. He reckons, however, that he might as well make use of them. He points out that for 15 years he refused to go on an aeroplane, but admits that this was largely due to a fear of flying.

Here, Mr Rifkin is in danger of being called a hypocrite. He attacks modern technologies, but at the same time is perfectly happy to use them when it suits him – packaged food and drink, clothes made of chemical fibre and a word processor to send out press releases. Mr Rifkin concedes there is a certain amount of illogicality here but that his basic message remains valid. "I'm leery of utopians. I'm not a Mother Teresa. I'm part of modern society and I have to live with its contradictions."

There is more than a hint about Mr Rifkin of the evangelical preacher, particularly when he talks about the doom-laden scenarios of the future. Would he rather have had his life 500 years ago, struggling with disease and periodic warfare, than take his chance today with genetic engineering and nuclear power? Mr Rifkin says this question is too hypothetical and refuses to answer. "I accept being part of today. But I want to live in a period where I can influence the future. All I am saying is that for the technologies of today we may have to pay a price."

Economic issues in the US election

There they go again

By Benjamin Friedman

Remember Ronald Reagan's promise to balance the budget by 1983? And to do so despite cutting taxes, beefing up America's defences and, above all, keeping Social Security benefits sacrosanct?

Here we go again. The Republican platform assures us that "with the help of the Gramm-Rudman Law and a flexible spending freeze, a balanced budget can be expected by 1993." But it gives no clue to what part of spending would be flexible and what would be frozen except that, once again, Social Security is sacrosanct, and that it is the Democrats who are soft on defence spending.

The Democratic platform says: "Reducing the deficit requires that the wealthy and corporations pay their fair share and that we restrain Pentagon spending." But it gives not a hint about what that fair share is, and the further discussion of defence contains no proposals that can be translated into budget savings.

To make matters worse, as the election campaign has unfolded, both Vice President George Bush and Governor Michael Dukakis have presented their respective lists of new government initiatives for the 1990s. Each will only make the Government's fiscal imbalance even wider.

Both Mr Bush's lack of specifics and Mr Dukakis's emphasis on "competence" suggest that, whoever wins, the next administration's approach to narrowing the budget deficit will primarily consist of another well-intended attack on the traditional three-headed monster Wastefraudandabuse. Surely no informed American voter expects this battle to enable the new President to balance the budget by 1993 any more than David Stockman's "magic asterisk" – billions of dollars of "future savings to be identified" – enabled Mr Reagan to do so by 1983.

Meanwhile, the election campaign is nearly over and no one has forced the candidates to address the real economic issue the US now faces. Since 1980 the federal government's borrowing has absorbed nearly three fourths of the net saving done by all American families and all American businesses combined.

This chronic fiscal imbalance, not pointless disagreements over how many jobs have been or are likely to be created, ought to have been the real issue in this year's campaign. Under current US tax and spending policies, the deficit will only widen further – except to the extent that the Social Security system's growing surplus offsets part of it. And to use the Social Security surplus to finance an ever larger deficit in the Government's other operations, rather than to build up a sizeable trust fund as it was intended to, will only solve one problem by creating another. Without the growing trust fund balance, the only way to cope with the baby boom generation's retirement, beginning in about 25 years, will be to slash retirees' benefits or raise payroll taxes to extraordinary levels. Either one generation will not get what it has paid for, or another will pay as none before ever has.

Fixing the deficit problem ought to have been the chief economic issue in the campaign because the prosperity enced in the 1980s is the first in 50 years not to have brought any increase in the earnings of the average working man or woman, after taking account of inflation.

The threat posed by the continuing fiscal imbalance is all the greater because so much of America's borrowing in the 1980s has been from foreign lenders. As a result, the stagnating incomes Americans will receive in the future will be all the more painful in that a growing share will go merely to service foreign debts. When Mr Reagan took office, the balance of what foreigners owed Americans over what Americans owed foreigners amounted to some $2,500 for every US family of four. When either Mr Bush or Mr Dukakis takes over, the balance will be about $8,000 per family in the other direction. America has exchanged its role as the world's biggest lender, with all the international influence that that position usually conveys, for a new role as the world's biggest debtor.

It is plain to everyone that Americans cannot continue indefinitely along their current path, watching their economic

Either one generation will not get what it paid for, or another will pay as none before ever has

Americans are enjoying today is a false prosperity, an illusion based on borrowed time and borrowed money. With so little of US private saving left after the Government finances its deficit, the US is not investing in the plant and equipment it will need to deliver advances in the average citizens's standard of living. President Reagan's rhetorical dedication to saving and investment notwithstanding, in the 1980s the US has devoted a smaller share of national income to net business investment than at any time since the Second World War. Investment in infrastructure has shrunk as well. So has investment in educating and training the work force. It is no surprise that the much touted business expansion experi-

prospects erode and their debts mount, and pretending all the while that closing a few tax loopholes, or achieving some management efficiencies, will stem the source of this corrosion. Yet that is just what both parties have done in the campaign. Neither will say what parts of current spending are to be cut, and both oppose a tax increase. The conventional wisdom is that to do otherwise would be political suicide because the voters will turn on whoever is responsible enough to tell the truth.

The truth is that 73 per cent of last year's spending went for defence, Social Security, Medicare and Medicaid, and interest on the national debt. Where will Mr Bush or Mr Dukakis cut?

The truth is also that, political rhetoric aside, there has been no major disagreement between President Reagan and the Congress over the total amount (in contrast to the composition) of federal spending. The Republican platform points to "the relentless spending of Congressional Democrats," while the Democratic Platform assails "seven years of 'voodoo economics' (and) fiscal irresponsibility." But in fact the savings voted by Congress on the defence spending Mr Reagan proposed came sufficiently close to offsetting the excess it voted beyond his proposals for non-defence programmes that, on average during 1982-87 (the 1981 budget was Jimmy Carter's), government outlays for all purposes other than interest on the national debt came to just $15bn per year more than Mr Reagan requested. The average deficit during these years was $184bn.

Finally, the truth is that solving the problem will require steps far more serious than either Mr Bush or Mr Dukakis will admit – including cuts not just in government programmes that no one will miss, but in highly visible areas that millions of Americans care about deeply; or an increase not just in nuisance taxes, but in the income tax or something like it; or, more likely, both major spending cuts and a sizeable tax increase. Such actions would be hard enough to take even under the best of circumstances. They will be impossible without the kind of national consensus that, in a democracy, can come only from open discussion of the problem and debate about the alternatives.

A presidential election ought to provide the opportunity to reach for just such a consensus. That, however, would require leadership. This year's candidates are not running, but running away. So far, no one is calling them back.

The author is Professor of Economics at Harvard University. His book, Day of Reckoning: The Consequences of American Economic Policy Under Reagan and After is published by Random House

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LETTERS

European managers

From Mr Richard Brown.

Sir, Michael Skapinker (October 28) is right to point to the shortages of – and consequent competition for – suitably trained managers in a European context. But he probably understates the problem by suggesting that there is no impact at a legislative level.

The absence of a recognised European management qualification does not mean the absence of legislation. The Directive on Mutual Recognition of Professional Qualifications will have an important impact on the mobility of managers throughout the European Community.

Almost all British managers have a professional qualification in one discipline or other. Mutual recognition of these qualifications will do much to encourage mobility.

Increased competition from foreign companies for the best European managers must act as another spur to all those involved in management education in the UK, to ensure that, in the face of falling numbers of graduates, UK industry has the managers, properly trained, who can operate successfully within the European context by understanding what constitutes added value; and delivering it. Sensitivity to the wider European market is a vital component in the skills of the new professional manager.

Richard Brown,
Head of External Policy,
British Institute of Management,
64-78 Kingsway, WC2

Compromise on the left

From Mr Philip Mickelborough.

Sir, Britain may still be in the Common Market by the 1990s, so if your correspondent William Dawkins (October 28) is correct in his interpretation of the threats being made by that body against the UK measurements of gill, gallon and ounce, we must demand strong and effective action from our politicians to protect our heritage.

If we cannot save the imperial system intact, let us at least cede ground to the continentals as part of a compromise rather than total surrender. If we are to buy our food in kilograms, let us ensure that the French drink their beer in pints, the Germans weigh themselves in stones, and the Spanish eat their paella by the bushel. If all the members of the Common Market drive in kilometres, let us make it a condition that we all do so on the left.

The British people, and their descendants, would never forgive a Government so weak as to allow the metrification of the UK without an equivalent imperialisation of Europe.

Philip Mickelborough
39 Kingsbury Street,
Marlborough, Wiltshire

The future of Cyprus

From the High Commissioner for Cyprus.

Sir, In taking issue with your Athens correspondent, Mr Fikri (Letters, October 25) calls, cryptically, for the recognition of the so-called "Turkish Republic of Northern Cyprus" or, to put it differently, for the de-recognition of the Republic of Cyprus.

The future of Cyprus, he implies by borrowing the recently aired views of the UK Prime Minister on Europe, lies in the "willing and active co-operation between political equals".

He conveniently omits to acknowledge the fact that the Prime Minister was, in fact, referring to co-operation between sovereign states that are equal partners in the European Community. In the case of Cyprus, the parallel he tries to draw simply does not hold.

What Mr Fikri represents is an unrecognised, secessionist entity, whose unilateral proclamation was universally condemned. It is sustained by an army of occupation, thousands of mainland settlers and a massive aid programme footed by Turkey, the occupying power in Cyprus.

Our vision on the future for Cyprus is similar to that of most ordinary Turkish Cypriots: under a federal system of government the two communities would be able to retain their respective ethnic identities, customs, language and religion and each individual would feel a citizen of a united country, with all his or her political and human rights safeguarded. But whereas we are talking of one unitary state, Mr Fikri and those he represents are talking of two.

What is needed in Cyprus now is not, as President Vassiliou declared at the start of the current inter-communal talks last month, "how to score victories against each other, but how to win together a new Cyprus where all its inhabitants will live and work in peace and prosperity".

Tasos Panayides,
Cyprus High Commission,
93 Park Street, W1

Privatised in Mexico

From Mr Norman Jenkins.

Sir, Your report (October 21) on privatisation in Mexico rings a bell. Is it too much to expect that our original assets in that country will be returned to their rightful owners?

The successors to Shell-Mex Ltd might have something to say: were they not the first sufferers of national sequestration of our development work and properties – a practice followed elsewhere, to our considerable and increasing loss?

Norman Jenkins,
Whitehill,
Ewshot,
Farnham, Surrey.

Signs of a changing mood in Iran should be encouraged

From Mr Mehrdad Khonsari.

Sir, Since the establishment of a cease-fire in the Iran-Iraq war there has been a sense of euphoria in western capitals, based on the false assumption that a Rafsanjani administration, after Khomeini, will sway Iran away from international terrorism and the dangers of Islamic fundamentalism.

This new mood is further encouraged by the hopeful speculation that Iran is likely to reopen its market to sizeable purchases of various western goods and services.

In anticipation of this scenario, cunningly fostered by the regime, the Islamic Republic has been developing a strategy to exploit some of these possibilities for the specific purpose of retaining its position internally – severely shaken as a consequence of its various failures.

This present campaign began during the course of the French presidential elections, and led to the release of all French hostages held in Lebanon. It was continued with the release of all German hostages.

Rumours that "Islamic Jihad" might soon be dissolved, and that all remaining British and American hostages would also be released, has led to the prospect of a resumption of full diplomatic ties with the UK, and has sufficiently enticed the Americans to hold their breath.

Furthermore, the Islamic leaders have skilfully exploited the international pressures currently exerted on Iraq to distract attention away from the serious deadlocks – which they well anticipated might occur – in the Geneva peace talks. On the one hand this has left them where they have always wanted to remain – in an unresolved war situation, enabling them to avoid providing their people with a peace-time economy. On the other hand, the prospect of peace enables them to promise to divert millions of petro-dollars from guns to butter.

The tactic of relying on western greed and shortsightedness is the same as that successfully employed by Ayatollah Khomeini 10 years ago.

But today's international environment has greatly changed. During this decade there have been encouraging signs. Authoritarian dictatorships have been rejected in the Philippines, South Korea, Argentina, Brazil, Turkey and Chile.

Contrary to conventional wisdom, most Iranians are hopeful that a similar trend might also come about in Iran once Khomeini is gone. If the west chose to use its influence in a positive way towards the attainment of this end, it would serve to reduce the cost of transition in terms of the sacrifice of further human lives.

Mehrdad Khonsari,
Friends of Iran,
PO Box 326, SW15

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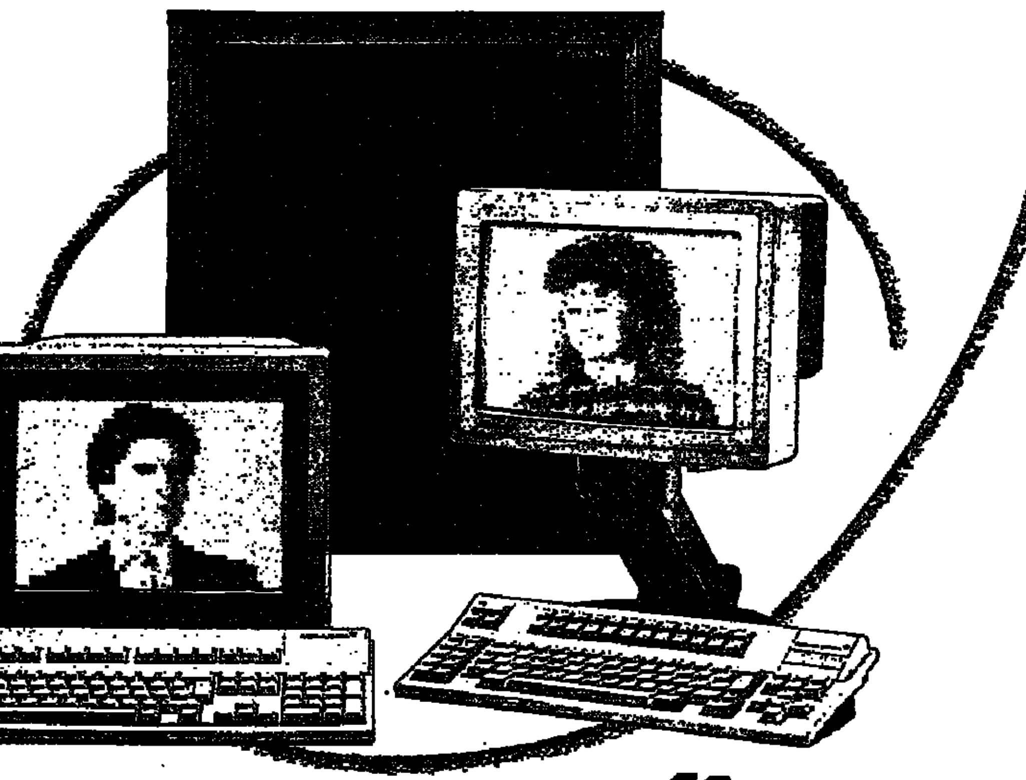

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Wörner seeks to build on Nato's progress

David White examines the aspirations of the organisation's new Secretary-General

NATO'S Brussels headquarters was designed as a hospital. When the organisation had to move out of De Gaulle's France in 1966 it simply took over the plans. Lord Carrington, who was Secretary-General from 1984 until the middle of this year, maintained that his office was actually the matron's room.

Mr Manfred Wörner, the new occupant, puts on an oblique smile. He revels in Carrington anecdotes. "There's a difference between a British aristocrat and a small German bourgeois," he reflects. "The *dimensions that did not fit him* could fit me."

Lord Carrington is a hard act to follow. As one diplomat put it: "Carrington had weight and lent it to the job. Wörner has to create weight in the job."

The dapper Mr Wörner, just turned 54, is the youngest man to hold Nato's top job, and the first German. It was felt that it was time for West Germany, as the alliance's most crucial front-line state, to fill the post. Mr Wörner, then the Defence Minister in Bonn and already well known to Nato colleagues, was an obvious choice: a Christian Democrat, former chairman of the powerful Bundestag defence committee, with the experience and dashing manner of a Luftwaffe reserve officer to boot.

In an alliance showing signs of being disconcerted by changes in the Soviet Union, here was a believer in the "defence first, dialogue second" approach – closer to hardline US and British positions than those of his Bonn Cabinet contemporary, Mr Hans-Dietrich Genscher, the Free Democrat Foreign Minister.

However, among those allies that favour a tough approach, and are anxious, for example,

Wörner: believer in the defence first, dialogue second approach

to press ahead with updating Nato's short-range nuclear weapons, there are fears that the new Secretary-General, by too openly espousing their views, will become more of a contested figure in his own country.

Mr Wörner does not much like being called a "hawk." He says he has never used the words "hawk" and "dove," and could be considered both.

"I think we have to develop a new concept of how we couch and present our defence efforts," he says, concerned that Nato should not lose credibility by exaggerating the kind of threat posed by Mr Mikhail Gorbachev's Soviet Union.

"Of course, there is no imminent threat of war. Gorbachev has other concerns.... If we tried to convince people of such a threat I think it would be unsuccessful and even counter-productive. You have to describe the threat in other terms, perhaps not speaking even of threat but of the use of military power, military potential in peacetime."

What term, if not "threat," can Nato adopt to explain its case for strong and expensive security? "I have thought a long time" (Mr Wörner intones this in a mock-tragic voice), "and I couldn't find one up to now."

He is adamant that the organisation has not simply become entrenched in old positions. "Nato was looking for change, was striving for change, in fact kept the initiative. The conceptual edge we had all the way along." All the basic ideas for arms control, he argues, have come from the West. "What's happening now is a response to our success."

Work on the first draft of a "comprehensive concept" for arms control policy has provoked what he terms "lively discussions" in the Nato council. "During these sessions I can only tell you that nobody wants to sit back and just wait for what happens ... I think there is a basic consensus that we should make use of every opportunity."

In specific proposals for conventional arms cuts, he says Nato will have "something very solid and concrete on the table" for the start of the planned new series of talks, even if it does not satisfy everybody's hopes.

He reckons Mr Gorbachev has an easier job. "He does not have to care about what all the other members of the Warsaw Pact think, whereas we have to try to get 16 sovereign nations agreed on one view.

"The Soviets always open *negotiations with maximum* proposals. For them it is much easier to shift positions during negotiations." In democracies, he argues, it is hard to change tack once a policy has been aired in parliaments and in the press. "Perhaps our proposal will be less sensational, less public-opinion-oriented, but it will be, I think, more serious and more lasting."

If Mr Wörner has arrived at a time of relaxation on Nato's external front, it threatens to be far tenser on the internal front as the US Congress and Administration exert increasing pressure to make the rest of the allies pay more of the bill for defending Europe. Nato, says Mr Wörner, has to work out "how to handle changes in East-West relations" and "how to handle changes in West-West relations," *at the same time.*

● "This question of burden-sharing will not die away," he recognises. "We have to avoid two dangers. The one danger is just to pay lip-service to burden-sharing and not show progress. The other danger is to pin expectations so high that you continuously fail and get bad reactions. It needs statesmanship."

He does not believe, however, that the US will make a major cut in its military presence in Europe, whatever the outcome of next month's presidential election. To do so *would create a vacuum.* "I don't see anybody filling the gap if that happens. Who should do it? I cannot see a European power being able to fill the gap created by a substantial reduction of American forces."

Behind the wrangling over burdens, he says, lies the whole question of Europe's future role in defence – "a real political question of the highest importance." He is a self-professed European, favouring European unification "in whatever form."

Economic and political unity in Europe are in the interests of the alliance, including the US, he argues. But he is anxious that the single market should not become a protectionist force, and warns of the possible impact of European Commission plans to bring defence equipment into the system of common external tariffs.

High barriers against military imports from the US would endanger the transatlantic relationship and touch on Nato's fundamental principles, he says. "If you call for indivisibility of security you call for indivisibility of your economic interests also, and that means we have to fight protectionist *tendencies.*"

Mr Wörner does not side with those who call for a fresh definition of Nato's aims, set out 21 years ago in the so-called Harmel Report.

"I think there is no need for a new philosophical impetus," Mr Wörner says. The basic structure and philosophy "are sound, have worked, have produced results and have had an incredible success."

THE LEX COLUMN

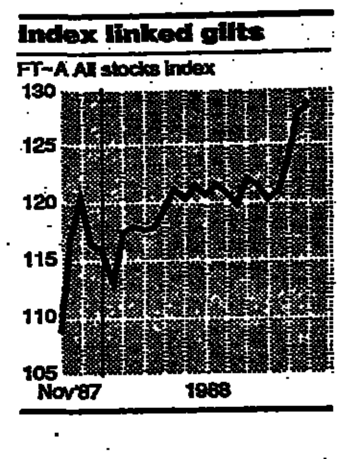
The promise of a soft landing

The market's response to Mr Lawson's statement yesterday was doggedly neutral, but second thoughts could be more benevolent. The chief surprise was the unchanged estimate for next year's public spending, instead of the expected increase. There is some sleight of hand here, but taken with the upward revisions of the PSDR for this year and next, the implication is that the Chancellor is arming himself with fiscal weapons to supplement the interest rate bludgeon. As an offsetting worry, the peak in inflation – carefully unquantified – has crept forward to the middle of next year; but there is at least a more concrete air to the forecast of a return to 5 per cent by the fourth quarter.

Given Mr Lawson's cautious record on estimating budget surpluses, the market instantly assumed that yesterday's forecast of £10bn for the current year will be handsomely exceeded (even though, as the Treasury warned, the margin of error is nearly £3bn either way). This has further concentrated minds in the gilt market on how far its current slump in trade – a mere £144bn, after all, at the end of last fiscal year – is to carry on shrinking.

The sums are distinctly tricky, depending as they do not only on the rate of redemptions, but on the degree of intervention in the foreign exchange markets and the extent to which the results are carried over from year to year. For 1989-90, forecasts now range from £10bn of buy-ins to net issuing of new stock. Given the fancy new funding instruments to hand, the question is of less economic importance than it used to be; and given the distortions in the gilt market itself, there are fewer implications for equities.

But the equity market has reasons of its own for seeing the statement as encouraging. The forecast of 3 per cent growth for next year would certainly constitute a soft landing, even if yesterday's estimate of at least 4.5 per cent for this year – compared with 3 per cent in the Budget – is a reminder of the Treasury's fallibility in these matters. The boom in capital expenditure, meanwhile, is almost alarming, with growth in manufacturing investment officially forecast at 18 per cent this year, with more to come next. With all that new capacity coming along, the effects of a real war on inflation scarcely bear thinking about.



Though that can surely be ruled out, the most consistent underlying theme in the statement still seems to be the prospect of continued high interest rates. The foreign exchange markets did nothing yesterday, perhaps because they were waiting for the outcome to last night's Commons vote on teeth and specs, but it would not be surprising if, on reflection, the pressure on sterling were once again upwards.

British Steel

The task of selling a mere 10 to 12 per cent of British Steel to the Japanese looks such a cinch that the great privatisation roadshow would seem to be wasting its time in Tokyo – unless the visit is intended as a rehearsal for the hard sell elsewhere.

In spelling out the wonders of steel to Japanese investors yesterday, Sir Bob Scholey was *surely preaching to the converted.* Since the beginning of the year, all of the big steel stocks have doubled in value, and some have risen threefold and more. The cheapest of the lot stands on a p/e of 45 and a yield of under 0.7 per cent; but according to Nomura, the fun is not yet over. Four out of the big five have recently tapped the market for a total of $1.5bn, but with no signs of indigestion it would no doubt be possible to sell the entire company in Japan at a price well above what the suspicious UK institutions seem prepared to pay. After all, British Steel makes about the same amount of money as Nippon Steel, and yet is likely to be sold for less than one tenth as much.

However, in one respect the Japanese may find that British Steel stacks up poorly against the indigenous companies. While part of the craze for Japanese steel shares was prompted by the industry's spectacular recovery, that is now yesterday's news. The latest thrill is the discovery that the acres of waste land owned by the companies may turn out to be prime commercial sites; Japanese investors may well wish this was the British Aerospace sale all over again.

Allied-Lyons

Last week many people in the City did not know that Allied-Lyons had any oil and gas interests, but that did not stop them yesterday expressing the view that getting out of the business was a pretty sharp move. Now that nearly all the oil tax losses have been used up, there seems no reason for Allied to retain its holding, especially given its commitment to concentrate on core activities. Moreover, to receive C$227m for a business making profits of C$4m will keep earnings moving the right way, and with the threat from Bond becoming daily less fathomable – although no less real – every little bit must help.

Brierley

Shareholders of Ocean Transport & Trading may not normally need to bother their *heads about* where Sir Ron Brierley chooses to park debt or assets within his Antipodean empire. But they would do well to note yesterday's bit of shovelling between Industrial Equity, Sir Ron's Australian vehicle, and Wellington-based Brierley Investments – especially as the restructuring involves Sir Ron leaving IEL to its own devices while he turns his attention to *the odd UK-based difficulty.*

Diving in and out of companies, Alan Bond-style, is clearly not Sir Ron's number; but even he must be beginning to think it time to find a way around the forbidding mass of Ultramar, Molins and Ocean Transport shares which dominate his UK portfolio. He has bid for Ocean Transport once before, and to assume he may do so again is not as simplistic as it might seem. In any case, he may wish to resolve the stake one way or the other: the shares have underperformed the market by 15 per cent over the past year and could well carry on in the same vein; so unless he knows of someone else who wants a lump of a company which may actually see earnings per share fall this year, he might wish to make more of Ocean Transport as a vehicle for his wider UK-ambitions.

Japanese telecoms group dragged into share scandal

By Stefan Wagstyl in Tokyo

NIPPON Telegraph & Telephone, the big Japanese telecommunications group, has been ordered by a government ministry to investigate allegations that a close aide of its chairman was involved in a widening stock market scandal.

The Ministry of Posts and Telecommunications yesterday instructed NTT to investigate newspaper claims that Mr Kozo Murata, a secretary to Mr Hisashi Shinto, the NTT chairman, bought shares in Recruit Cosmos, the company at the centre of the affair.

The Ministry's intervention highlights the Japanese Government's embarrassment over the scandal, which has stalled debate in the Diet (Parliament) over a controversial tax reform bill. The affair broke in June when it emerged that Recruit, the parent company of Recruit Cosmos, sold shares on a preferential basis to leading politicians and businessmen before Recruit Cosmos was floated in 1986. The fortunate recipients of shares made large profits.

Yesterday, Japanese newspapers alleged Mr Murata at NTT received 10,000 shares and sold them for a profit of about Y22m ($175,000). Mr Shinto at a hastily summoned press conference denied knowing anything about the alleged transaction.

A current and a former senior NTT executive have previously admitted receiving Recruit Cosmos shares, but have denied doing anything wrong. The two supervised NTT's business with Recruit.

Recruit's ties with NTT are coming under intense public scrutiny. The company, originally an employment agency, won a lucrative business leasing digital communications circuits in bulk from NTT and sub-letting them to small and medium-sized companies.

Also, Recruit bought two powerful supercomputers needed to run this operation from NTT, which had previously purchased them from the manufacturer Cray Computer of the US. NTT has said this transaction was done on a commercial basis.

However, opposition members of the Diet have claimed that Recruit paid for favours from NTT officials with stock in Recruit Cosmos.

Meanwhile, the ruling Liberal Democratic Party abandoned plans to steamroll its tax bill through the Diet in favour of seeking a compromise with opposition parties. A public hearing on the reforms has been postponed from Friday to next week, to give time for opposition members to air grievances about the proposed reform and the Recruit affair.

The Japanese media took a battering in the scandal yesterday. Officials of the Tokyo Public Prosecutor's office, which is investigating allegations of bribery arising out of the affair, raided the offices of Nippon Television, a commercial station, and seized four rolls of videotape.

The rolls contain a recording of an attempt by a Recruit official to bribe a Diet member to persuade him to go easy in investigating the affair. Highlights have appeared on the air. Nippon Television said the raid, only the second on a new organisation since the Second World War, was an attack on the freedom of the press.

Soviet leaders divided on stock exchange proposals

By Quentin Peel in Moscow

THE PROSPECT of allowing shares in Soviet state enterprises to be bought and sold appears to be causing continuing divisions in the Soviet leadership, in particular over if and how they might be traded on any form of stock exchange.

Mr Yuri Maslyukov, chairman of Gosplan, the state planning committee and a non-voting member of the ruling Politburo, insisted yesterday that only employees of the enterprises in question would be allowed to buy shares.

His interpretation conflicts both with that of Mr Boris Gostev, the Finance Minister, and that of a senior official of Gosbank, the Soviet central bank, who explained the new rules in a newspaper interview.

"They are only internally permitted," Mr Maslyukov told a press conference yesterday.

"They can be sold only to those working at these industrial plants or complexes. We are not ready to set up an exchange for shares."

However, Mr Gostev said last week that there would be two sorts of share – one for workers, and one for purchase by other enterprises.

In an interview with foreign correspondents he said the second form of share would be available for sale "to any buyer."

"This means we will have a stock exchange," he said.

The most detailed description was given by Mr Valerian Kulikov, first deputy chairman of Gosbank, in an interview with the newspaper Socialist Industry.

He said that in addition to workers' shares in their own enterprises, there would be "enterprise shares" available for other state concerns or co-operative ventures.

Workers' shares would be limited to a maximum of 10,000 roubles ($16,200), or 20 monthly wages, per person, and would not carry any special voting rights, Mr Kulikov said.

The total of such shares should not exceed 30 per cent of the sum of fixed and current assets of the plant.

On the other hand, enterprise shares could be issued up to 50 per cent of the volume of fixed and current assets, sold on the decision of the enterprise management, although they would be "obliged to advise the work collectives" of such a decision.

Combined workers' and enterprise shares could thus total 80 per cent of a company's fixed and current assets.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	20	68	Dubrovnik	S	13	55	Malta	S	22	72	Rhodes	C	20	68
Algiers	S	25	77	Edinburgh	F	10	50	Manchester	C	06	43	Rio de J'o	R	36	97
Amsterdam	F	10	50	Faro	S	21	70	Manila	F	33	91	Rome	F	15	59
Athens	R	14	57	Florence	S	15	59	Melbourne	S	21	70	Salzburg	S	09	48
Bahrain	F	30	86	Frankfurt	C	08	47	Mexico City	C	24	74	San Francisco	C	24	75
Bangkok	F	31	88	Funchal	F	19	66	Miami	C	27	80	Seoul	C	16	61
Barcelona	S	18	64	Geneva	C	09	48	Milan	S	12	54	Singapore	R	32	90
Beirut	F	27	81	Gibraltar	C	20	68	Montreal	C	06	43	Stockholm	R	07	44
Belfast	Fg	03	37	Glasgow	C	09	48	Moscow	F	-2	28	Strasbourg	S	09	48
Belgrade	C	05	41	Guernsey	S	11	52	Munich	S	09	48	Sydney	R	22	72
Berlin	C	08	46	Helsinki	F	-2	28	Nairobi	C	24	75	Taipei	F	27	81
Biarritz	C	17	63	H. Kong	C	23	73	Naples	S	15	59	Tangier	F	23	73
Bombay	F	33	91	Innsbruck	S	08	46	Nassau	C	30	86	Tel Aviv	S	25	77
Bordeaux	S	19	66	Inverness	R	07	45	New Delhi	F	31	88	Tenerife	S	24	75
Brussels	F	10	50	Islamabad	-	-	-	New York	C	09	48	Tokyo	F	18	64
Budapest	F	06	43	Istanbul	R	09	48	Nice	C	15	59	Toronto	C	06	43
B. Aires	C	21	69	Jakarta	R	31	88	Nicosia	F	23	73	Tunis	C	21	70
Cairo	F	26	79	Jersey	S	11	52	Oporto	S	21	70	Valencia	F	21	70
Cape Town	S	22	72	Jo'burg	R	25	77	Oslo	F	07	45	Venice	S	11	52
Caracas	C	26	79	Lima	-	-	-	Paris	F	11	52	Vienna	F	09	48
Casablanca	R	20	68	Lisbon	C	21	70	Peking	F	14	57	Warsaw	C	02	36
Chicago	F	12	53	London	F	13	55	Prague	F	06	43	Washington	R	08	46
Cologne	C	10	50	Los Angeles	C	30	86	Reykjavik	S	03	37	Zurich	S	06	43
Copenhagen	R	08	46	Luxembourg	S	08	46								
Corfu	S	17	63	Madrid	S	16	61								
Dallas	F	09	48	Majorca	F	23	73								
Dublin	S	09	48	Malaga	F	21	70								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Botha welcomes US proposal for compromise over Cubans

By Michael Holman, Africa Editor, in London

EFFORTS to break the deadlock in negotiations seeking independence for Namibia gathered momentum yesterday when Mr Pik Botha, South Africa's Foreign Minister, gave a cautious welcome to a compromise US proposal on the terms of a Cuban troop withdrawal from Angola.

The gap between South Africa and Angola over the timetable and terms of the withdrawal of some 50,000 Cuban troops from Angola has been the main hurdle confronting officials attending a series of US-chaired talks, which opened in London last May.

However, Mr Botha, who said that "South Africa's commitment to finding a solution remains firm", stopped short of an unequivocal endorsement. Pretoria was "prepared to be flexible as far as the latest US proposal is concerned," he said.

At the same time, President Eduardo dos Santos of Angola was quoted by the official Angolan news agency as saying that the peace package could be implemented from January 1, the new tentative starting date for Namibia's seven-month transition to independence.

President dos Santos added, however, that "at least two aspects of the timetable for a Cuban withdrawal need to be hammered out," but he did not elaborate.

South African officials have released details of the US compromise proposal, tabled in mid-October. It envisages:

● The withdrawal of 4,000 Cuban troops before Namibia begins a seven-month, UNmonitored, transition to independence which will culminate in elections.

● Restriction of the remaining Cuban contingent in the first instance to north of a line 150 miles north of the Namibian border, with effect from March 31 next year, and to 250 miles from the border from June 30.

● The repatriation of 36,000 Cubans during the first year of Namibia's independence, and the balance during the second year.

The chairman of the talks, Dr Chester Crocker, the US Assistant Secretary of State for Africa, has become increasingly impatient over Angola's slow response. This has delayed the resumption of talks, say US officials.

Last month, Mrs Lynda Chalker, Britain's Foreign Office Minister, called in Mr Leonid Zamyatin, the Soviet ambassador, to ask Moscow to put pressure on Luanda. The message was timed to coincide with President dos Santos's recent visit to Moscow, which along with Cuba is Angola's main ally.

Yesterday, Mr Pik Botha, South Africa's Foreign Minister, accused Angola and Cuba of delaying a settlement.

A second hurdle facing the negotiators is the US insistence that any regional settlement should encompass Unita, the Angolan rebel movement led by Dr Jonas Savimbi.

Washington, with the support of several African states, has urged President dos Santos to begin reconciliation talks with Unita. Yesterday Mr dos Santos was due to hold talks in Morocco with King Hassan, one of Unita's main supporters.

It is the latest in several moves which may be paving the way for direct talks between the Angolan Government and Unita.

UK economic statement

Continued from Page 1

of the major gainers in the redeployment of resources. Mr Lawson said the health service would receive an extra £2bn next year and £2.5bn in 1990-91 on top of the targets set last January.

He said the NHS' increase in real terms next year would amount to 4.5 per cent after adding together increased Government spending, the proceeds of planned land sales and cost savings and a proposal to reduce the National Health Service employers' pension contributions.

In subsequent years, the Government plans to increase spending, raising planning totals to £179.4bn in 1990-91 and £191.6bn in 1991-2. But these include increases in the contingency reserve from £3.5bn next year to £7bn in 1990-91 and £10.5bn in 1991-92.

As a percentage of gross domestic product, government spending, including interest payments on the national debt, will decline. Mr Lawson said it would drop below 40 per cent of GDP next year for the first time in more than 20 years, declining further to 38.25 per cent by 1991-92.

Although Mr Lawson's statement gave no hint on the Government's tax policies in next year's Budget, he later indicated that he would still try to cut taxes again.

He forecast that the growth of gross domestic product would decline to 3 per cent in 1989 from 4.5 per cent this year, with domestic demand growth slowing sharply to 3 per cent from 6 per cent.

The current account balance of payments deficit, set to rise to £13bn this year from £2.5bn in 1987, would decline to £11bn next year, he said.

Inflation, as measured by the retail price index, is expected to run at 6.25 per cent in the final quarter of this year compared with the same period of 1987 but slow to 5 per cent in the final quarter of 1989. Mr Lawson said inflation would peak around the middle of next year.

ADVERTISEMENT

NEWS REVIEW

BUSINESS

ATE to RAF for GR5

Ferranti Defence Systems, Automatic Test Equipment Group has successfully delivered and completed on-site acceptance testing of its first production AST 1200-400 series *ATE* at *RAF Wittering.* The equipment will be used for forward deployable support of the GR5 Harrier FIN 1075 Inertial Navigation system.

Prior to delivery, RAF operators from RAF Wittering and RAF Kinloss underwent an intensive AST 1200 training course at the group's Bellshill factory as a preliminary to the introduction of the AST 1200s into service use.

EFA Euro-team

Three of Europe's leading defence manufacturers have agreed to collaborate in the development of an advanced forward looking infra-red system for the European Fighter Aircraft programme.

The team comprises Galileo of Florence, Italy, Ferranti Defence Systems, Edinburgh and Siemens AG of Munich for the Federal Republic of Germany. Negotiations are continuing with a prospective Spanish partner.

Briefly...

Ferranti Computer Systems has won an order worth £170,000 to provide ICI at Darwen with a turnkey process control system.

Ferranti Container Handling licencee, Kone Fels Cranes Pte of Singapore, has secured a contract, valued in excess of £2m, for the supply of four Ferranti Karritainer Gantry Cranes to the Madras Port Trust, India.

● AEROSPACE

Welding for space

Martin Marietta has announced a major first step to completely modernise its Denver, Colorado launch vehicle manufacturing facilities by awarding a Ferranti International company, Ferranti Sciaky, Chicago, a contract in excess of $4m to furnish new and upgrade existing welding equipment. When the programme is finalised, the plant, which produces the Titan II, IV and commercial series vehicles, will be one of the most modern aerospace welding facilities in the USA.

Titan II and IV launch vehicles are furnished to the US Air Force while a commerical version is being developed specifically for placing payloads such as communication satellites into orbit. Considering the recent dramatic growth of expendable launch vehicle projects and competition for the business to launch these valuable payloads into space, quality and process control have become more critical than ever.

There is no margin for error and it is anticipated that over the next four to five years the company will have to produce approximately 20 miles of flawless welds.

● RADAR

Blue Vixen success

Results from formal project trials of the Ferranti Blue Vixen radar have confirmed the prediction that a 'right-first-time' philosophy is feasible for a complex software development programme for a fire control radar. Flight trials for the Blue Vixen radar have moved into the next phase, using a BAe 125 based at the Royal Aerospace Establishment, Bedford.

On the very first sortie of the shake down phase, the radar demonstrated its function in the most complex air-to-air mode, namely Medium Pulse-Repetition Frequency (MPRF). This was followed by a project trials flight in which six detection runs were made at medium altitude over land, again in MPRF, against a cooperative target provided by RAE. On all six runs the target was detected by the theoretically predicted detection range. The target response was continuous into fly pass in all cases.

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INSIDE

Growing pains for a 123-year-old

Nokia, the 123-year-old Finnish conglomerate and the world's largest mobile telephone maker, is suffering adolescent growing pains as it rushes headlong into electronics. Recent acquisitions of electronics companies have dwarfed the contribution by the group's traditional cable, rubber and tissue paper divisions. But they have also proved difficult to digest. Olli Virtanen in Helsinki looks at how Nokia is coping. Page 30

Suitable case for treatment

Portugal's sceptics are being proved wrong. When the country joined the European Community three years ago, few thought that its underdeveloped, under-financed and disorganised agriculture would respond to treatment. But now bad habits are being corrected and encouragement of trained new young farmers has started to pay off. Diana Smith chronicles the new dynamism in the Portuguese countryside. Page 50

UK bid battles face new lines

"Plea-bargaining" in the midst of UK takeover battles – the practice of offering to sell certain subsidiary interests as the price of getting clearance from the Office of Fair Trading – is a matter of considerable concern to companies and their advisers. Nikki Tait considers the state of play in the wake of the suggestion made last week by Lord Young (left), Trade and Industry Secretary, that policy changes are afoot. Page 34

Mexican market revival

Mexico celebrates the "Day of the Dead" today, a semi-official holiday with long religious roots but associated with some macabre practices such as the eating of sugar candy skulls. Since last November the Mexican stock market has staged a kind of secular resurrection that has seen share values claw their way back from the grim days of "El Crack" – when the local market plunged by three-quarters. Richard Johns examines the background to this year's dramatic revival. Page 54

Newmont "squarely in play"

Newmont Mining and its subsidiary Newmont Gold, the biggest gold producer in the US, have been put "squarely in play" and are possible bid candidates, said Mr Gordon Parker, chairman of both companies, yesterday. This is because Minorco, the South African-controlled investment group, has said that, if it gains control of Consolidated Gold Fields of the UK, it will sell Gold Fields' 49 per cent shareholding in Newmont Mining. Page 28

Rothwells faces troubled times

Rothwells, troubled Perth merchant bank, took another blow yesterday as trading in its shares was suspended. The move follows the resignation on Monday of Laurie Connell as a company director and confirmation of "grave liquidity problems" facing the bank. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises				**Falls**			
D'sche Babcock	155	+	3	Digital Equip.	95⅝	–	⅝
Volkswagen	314.9	+	6.9	Sears, Roebuck	41⅝	–	⅝
Daimler	772	+	13.5	Texas Air	14⅞	–	⅞
Siemens	495.5	+	5.5	**TOKYO (Yen)**			
Bayer	304.3	+	3.1	**Rises**			
Falls				Keato Nat Gas	1170	+	140
Bayer Hypobank	382	–	2	Nippon Valqua	805	+	80
NEW YORK ($)				Tokuyo Soda	1100	+	100
Rises				**Falls**			
Cray Research	60⅞	+	⅝	Yukas Kogyo		–	70
Foremans & Co	31⅞	+	1⅜	Sagami		–	100
Texaco	46⅞	+	1⅛	Nagase		–	60

New York prices at 12.30. France closed.

LONDON (Pence)

Rises				J'son Matthey	375	+	22
Avis Europe	280	+	7	Lucas Inds	586	+	10
BPB Inds	325	+	5	Metal Closures	215	+	7
BTR	354	+	5½	Morgan C'ble	325	+	9
Bolton Text	133	+	12	Owners Abroad	79	+	4
Brit Bldwck	320	+	13	Reckitt Clmn	959	+	16
Charter Cons	402	+	12	Siebe	391	+	9
Chloride	53½	+	4½	THORN EMI	672	+	9
Cons Gld Flds	1217	+	¾	Thomas Forte	271	+	7
DRG	505	+	10	Yale & Valor	365	+	12
GR Holdgs	680	+	40	**Falls**			
Garton Eng	170	+	11	Beazer (J.)	289	–	9
Greycoat	430	+	18				

Gulf Canada buys its first US oil interest

By David Owen in Toronto and Philip Coggan in London

ALLIED-LYONS, the UK food and drinks group, yesterday sold a 51 per cent stake in HPC, the US-based oil and gas company, to Gulf Canada Resources for C$227m ($184.8m) in cash.

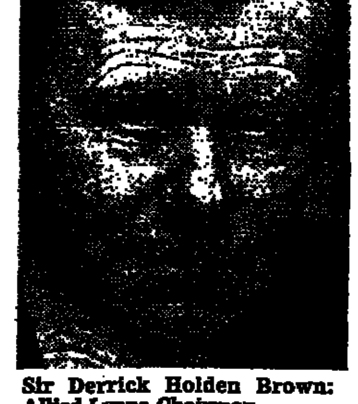
The deal rids Allied-Lyons of a business it reluctantly acquired when it took a controlling interest in Hiram Walker-Gooderham & Worts, the Canadian wines and spirits group, in October 1986.

At that time, Allied-Lyons agreed to take HPC, formerly called Home Petroleum, along with a 51 per cent stake in Hiram Walker for C$835m. The agreement gave Allied-Lyons a put option giving it the right – exercised yesterday – to sell HPC to Gulf Canada after two years.

Allied-Lyons agreed to buy out Gulf Canada's minority interest in the liquor side of Hiram Walker last November, but the uneasy split at HPC continued.

Yesterday Allied denied that the sale was prompted by defensive motives concerning the build up of an 11 per cent stake by the Australian-based Bond Corporation.

The UK company said the sale was in line with its strategy of disposing of its non-core assets.



Sir Derrick Holden Brown: Allied-Lyons Chairman

Gulf Canada, with assets in excess of C$3.5bn, is controlled by Toronto-based Olympia & York, the fast-growing property and resources fief of the secretive Reichmann brothers.

Yesterday's acquisition brings it a first US production base and is consistent with the group's current strategy of increasing its international asset base. The policy first became apparent with the C$512m purchase of Calgary-based Asamera earlier this year.

HPC, which is engaged in oil and gas exploration and development in the Rocky Mountain region, Oklahoma and the US Gulf coast, had a pre-tax operating profit of $3.5m for the year to February 29.

The company's net energy output totals some 4,400 barrels per day of oil and 28m cubic feet of gas. Gross reserves amount to 10m barrels of oil and a proven 140 bn cubic feet of gas. Allied-Lyons puts the the net book value of the assets being sold at $181.5m.

With gross sales in the first quarter of this year averaging 89,300 barrels per day of crude oil and 388m cubic feet per day of natural gas, the company ranks among the largest publicly traded upstream energy concerns in North America.

Among their other interests, the Reichmanns hold a controlling stake in Abitibi-Price, the world's largest newsprint producer, and minority positions in US-based Santa Fe Southern Pacific and Toronto's Campeau Corporation.

SEC 'close to co-operation agreement' with France

By Haig Simonian in Frankfurt

THE US Securities and Exchange Commission expects shortly to sign an agreement with the French authorities allowing for substantial co-operation and exchange of information in policing securities markets.

Mr Gary Lynch, director of the SEC's enforcement division, said yesterday: "We are on the verge of an agreement with France that's very broad-ranging." While giving no precise indication of the timing, he said: "Hopefully, we'll be signing soon."

The agreement is likely to be along the lines of "memorandums of understanding" which the SEC has already concluded with authorities in Switzerland, Japan, the UK, Brazil and Canada.

These have given US regulators far greater scope to request information on suspicious transactions on the US securities markets conducted through financial institutions in the countries concerned.

Speaking at a conference in Frankfurt arranged by the universities of Frankfurt and Pennsylvania, Mr Lynch said he hoped an a similar agreement could eventually be reached with West Germany.

There had already been "very preliminary discussions" in May during a visit to Bonn by members of the SEC. "We've made no secret of the fact that we think that's the appropriate way to go," he said.

However, German bankers seem distinctly lukewarm at the idea of a formal agreement.

Moreover, previous suggestions about the establishment of regulatory body along the lines of the SEC for the German securities markets, where self-regulation prevails and insider trading rules are still on a largely voluntary basis, have been strongly opposed.

Apart from German concern about maintaining bank secrecy, there has been a major administrative problem.

"At that time, the concerns were raised as to who would negotiate on behalf of the German government as there is no equivalent of the SEC in Germany," noted Mr Lynch.

Yesterday's conference, which was attended by Mr David Ruder, chairman of the SEC, and three of the four heads of its operating divisions, showed that any idea of extending US jurisdiction into the German banking business remains a highly sensitive issue.

The Bonn Government appears to have parried the SEC's call for a memorandum of understanding by suggesting it was awaiting a directive from the Eurojean Commission on securities regulation.

However, Mr Lynch suggested that the likelihood of future EC rules would not stand in the way of a bilateral agreement between Germany and the US.

12% of British Steel may go to Japan

By Philip Coggan in London

BETWEEN 10 and 12 per cent of British Steel is likely to be offered to Japanese investors when the state-owned company is privatised later this month.

The pathfinder prospectus issued last Friday merely indicated that about a third of the shares would be available to investors in the US, Japan, Canada and continental Europe. More details have emerged, however, since British Steel and its adviser, Samuel Montagu, embarked on a worldwide investor roadshow.

It has also been indicated that 24m American Depositary Shares are being offered to US investors. With each ADS equivalent to 10 ordinary shares, that means that the US will also be offered 12 per cent of the issue, with a further 9 to 11 per cent split between Canada and Europe.

Sir Robert Scholey, British Steel chairman, said in Japan that yesterday's presentation there was "very well received." He hoped there would be sufficient interest to warrant a separate Tokyo listing.

However, if there is sufficient demand in the UK, part of the overseas offering will be "clawed back." Depending on the extent of UK demand, the overseas portion could be reduced from a third to a quarter.

The offer will not be priced until November 23, but analysts are currently suggesting a range of 125p-140p, implying a market capitalisation of £2.5bn to £2.8bn ($4.9bn).

MFI rolls out carpet to Harris

By Maggie Urry in London

SIR PHIL Harris is back in the carpet business. A deal announced yesterday with MFI, the furniture group, gives the British retailer a way back into the sector where he began and which was, some say, the only business he really understood.

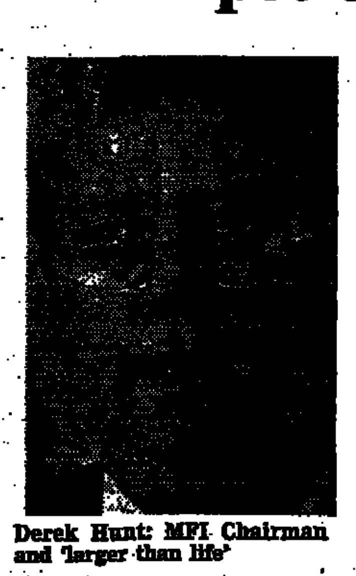
Sir Phil left school to take on his family's three carpet shops when his father died in the late 1950s. He built the business into the Harris Queensway empire which for a time dominated the UK furniture and carpet retail markets.

However, that group fell on tough times and was taken over this summer for £450m to become Lowndes Queensway, headed by Mr Jimmy Gulliver – another well-known retailer, who had built up a series of supermarket chains, culminating in the Argyll Group.

Indeed the whole story of yesterday's tie-up is littered with larger-than-life retailing characters. Mr Derek Hunt, chairman of MFI, is regarded as king of Britain's flat-pack furniture market. Last year, he led MFI into a £715m management buy-out, Britain's largest ever, from Asda Group, the UK's fifth-ranking supermarket chain.

The joint venture between MFI and Sir Phil will open carpet shops in out-of-town locations with a selling area of 7,000 to 10,000 sq ft.

They will be called Carpetwise of London. Mr Hunt reckons to open the first shop in Canning Town, in London's Docklands, at the end of this month, and to have six or eight shops open fairly soon.



Derek Hunt: MFI Chairman and 'larger than life'

"MFI is committed to establishing a foothold in the £1.5bn UK carpet market," Mr Hunt said. "This task will be made a great deal easier by our choice of business partner." Each side has agreed to put up to £2m into the joint company, although all that will not be needed initially.

The irony is that MFI had already tied up a carpet deal with the old Harris Queensway, in January this year, which Mr Gulliver's Lowndes Queensway now operates. This covers 30-odd concessions within MFI stores, under the name Carpets Carpets Carpets, selling from samples in the shop. Lowndes Queensway has first refusal on opening concessions in any new MFI shops.

Lowndes Queensway yesterday re-affirmed that arrangement – and said it was not in any way upset by Sir Phil's move. When Sir Phil agreed to the takeover of Harris Queensway, no non-competition agreement was made.

Mr Eddie Dayan, managing director of Lowndes Queensway, said: "We welcome any effort to increase the size of the UK carpet market which we believe to be under-developed and in which Lowndes Queensway is the dominant market leader, with a 15 per cent share."

Although that sounds as though it was said through gritted teeth, Mr Dayan's colleague, Mr Bryan Portman, corporate finance director, is adamant that Lowndes Queensway was not at all put out.

He does argue, though, that the Sir Phil's new venture comes "from a cold start" and will meet rather tougher opposition in the competitive retail markets of today than the young Phil Harris encountered 30 years ago.

Crossing frontiers with a pan-European plan

Maggie Urry studies Scott Paper's expansion strategy

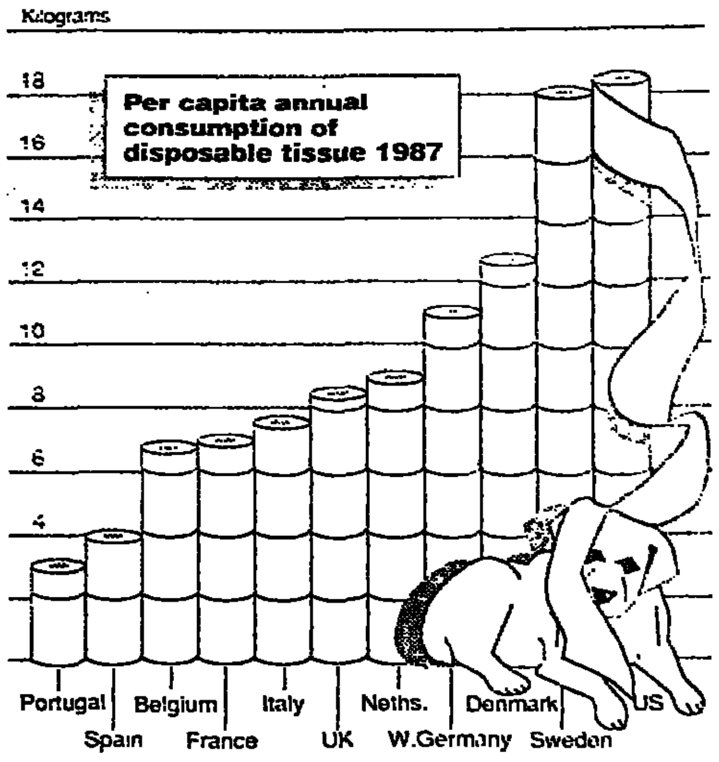
WHEN Scott Paper, the US-based but globally minded toilet-paper maker, first started making tissue in Europe in 1956, it had no thought of tackling the market any other way than country by country.

The group, which is now the largest maker of tissue in the world, first ventured overseas with the help of partners. In Europe different partners were chosen in different markets.

When Scott began to realise the advantages that would come from a pan-European approach – in the early 1980s, according to Mr Ashok Bakhru, Scott's chief financial officer – it had to unravel these joint ventures. It would have been difficult to integrate the various businesses with the partners keeping their shareholdings.

The process of buying the partners out began in 1983 and was concluded in 1986 when Scott bought Bowater Industries' half share of the Bowater-Scott joint company in the UK. That allowed Scott "the vision of the companies working together," Mr Bakhru recalls.

Scott was then, he says, "twice as large as the nearest competitor and the only pan-European company of size and experience." Sales of Scott-Europe were almost $900m in 1987.



Source: European Tissue Symposium

It now manufactures tissue in the UK, France, Spain, Italy, and Belgium and supplies the Portuguese market from Spain. In the markets where it operates, Scott has around 30 per cent of total consumption of about 1.6m tonnes.

Scott is the market leader in sanitary tissue in the UK, Italy, Spain, and Belgium and second in France, where it has ambitions to take over the number one position, and Portugal. Scott continues to avoid the West German market.

Because it does not make economic sense to transport high volume/low price goods such as toilet tissue and paper towels over long distances, a pan-European strategy does not mean putting up one huge plant somewhere in the middle to gain economies of scale.

Plants must still serve their local markets, although after 1992, when the European Community's internal trade barriers come down, local markets need not mean national markets.

But Mr Bakhru argues that a pan-European approach has advantages in many areas. Three important ones are:

● Marketing. Scott has established Scottex as a toilet tissue brand throughout Europe, except in the UK where it uses Andrex – a name inextricably associated with the romping Labrador puppy which has been used to advertise the brand, in theory emphasising its strength and softness, since the early 1960s. Scott can use experience in product launches, brand positioning and advertising gained in one market in others, allowing for national differences.

● Common technology. Scott is building three new machines, in France, Italy and Spain, as part of a $250m investment programme in Europe, which will together add 150,000 tonnes to the group's 480,000-tonne European capacity. All three use the same technology, and, Mr Bakhru says experience of the start-up of the first machine should smooth the way for the second and third as people are sent from one plant to the next.

● Finance. In the past, Scott has generally raised money in the country where it was to be spent, which generally limited it to local bank loans. Now it borrows globally, thereby getting cheaper finance.

At present much of Scott's competition is nationally based, as are its customers. But Mr Bakhru expects both to change by evolution. Retailers will become more international, and Scott's rivals are also beginning to see the advantages of working across European frontiers.

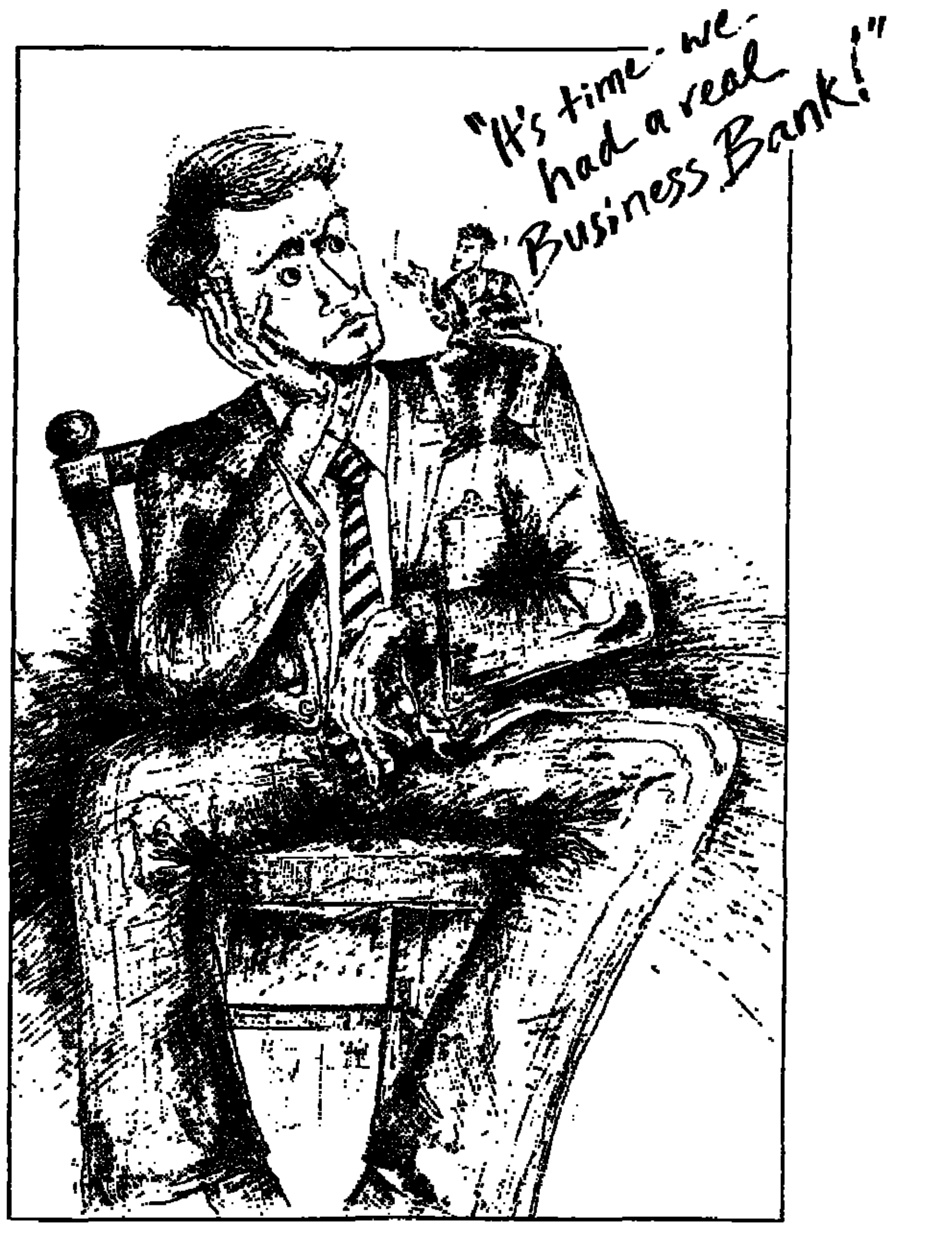
One major attraction in a competitive market is the relatively low usage of tissue in southern Europe. In these countries, demand is expected to continue to grow by more than 10 per cent annually, compared with the 2 to 5 per cent gains being achieved in northern Europe.

It is the thought of the low levels of consumer usage, and the potential for the market to grow as standards of living rise, particularly in the poorer countries of the EC, which has attracted the world's major tissue companies – such as James River and Kimberley Clark – to Europe as well as the indigenous producers.

As a result the European market has been very competitive, and recently MoDo, the Swedish company, announced a decision to sell its tissue business.

Scott aims to account for 60 per cent of the additional European tissue sales each year – double its present share of the market as a whole – and is installing capacity on that assumption. "We feel certain we will be the winner," Mr Bakhru says, arguing that Scott starts from an established base, and has new technology and low-cost production.

Last year, Scott bought a 140,000-tonne eucalyptus pulp mill in Spain, and earlier this year it took a 20 per cent stake in a pulp mill being built in Chile, with the promise to take the majority of its production. Even so, worldwide, Scott controls only 65 per cent of its pulp needs, although in the US it has 90 per cent of its supply secured.



SEE PAGE 9 TODAY.

INTERNATIONAL COMPANIES AND FINANCE

Strong sales boost Boeing profits in third quarter

By Roderick Oram in New York

BOEING, the world's leading maker of commercial aircraft, has reported strong growth in third-quarter profits thanks to buoyant sales and reduced costs.

Net profits for the three months ended September 30 were $144m or 94 cents a share, against $104m or 67 cents a year earlier. Sales were $3.72bn, compared with $3.56bn.

Net profits for the first nine months were $440m or $2.88 a share, against $339m or $2.18, on sales of $12.09bn versus $10.87bn.

Positive factors in the profits growth were higher sales volume, lower research and development costs and new business costs associated with computing, electronics and military and space programmes, plus a lower tax rate.

Negative factors included "significant performance problems" on several military aircraft programmes and higher research and development and production build-up costs in commuter aircraft.

During the third quarter Boeing booked orders for 100 jet airliners and 10 turbo-props valued at $5.1bn, taking the year-to-date total to 497 jets and 45 turbo-props worth $23.1bn, compared with 307 aircraft worth $14.9bn a year earlier.

Boeing's total backlog of firm orders at September 30 was worth $44.3bn, 84 per cent from commercial and foreign government customers and 16 per cent from the US Government.

The total at the end of last year was $27bn.

Although the company expects to begin deliveries of its first 747-400 airliners in December, it has delayed by a month deliveries to some of the first customers.

Andersen in court move on Saatchi

By James Buchan in New York

ARTHUR ANDERSEN, the *largest US accountancy group*, has sought an injunction to prevent Saatchi & Saatchi, the UK advertising and consulting group, hiring more of its management consultants.

In a lawsuit filed in the New York supreme court, Arthur Andersen accused Saatchi of stealing star consultants, interfering with key clients and misappropriating its business secrets.

In Washington, Mr Victor Millar, head of Saatchi's world consulting business, said the charges were "absolutely incorrect."

The suit underlines growing tensions in the US accountancy profession, as regular tax and audit work declines in profitability and big firms vie for the lucrative management consultancy business. Consultancy partners at big accounting firms say they are frustrated at being subordinate to tax and audit partners.

Mr Stanley Cornelison, head of Andersen's management information consulting practice said: "We are saying to Saatchi you can compete fairly but you cannot pirate our people, our proprietary methodology and technology and ultimately our business."

Named with Saatchi are Mr Millar, who left Andersen two years ago and went on to develop Saatchi's consulting business; Mr Gresham Brebach, who headed Andersen's US consultancy until he left last May; and six other partners who quit on October 14 to form a consulting venture backed by Saatchi.

The six departures embarrassed Andersen as they coincided with attempts to mollify its consulting partners with a new name for their business – Andersen Consulting – and a $10m advertising campaign.

Mr Millar said: "What's happened here is that a group of their (Andersen's) directors were not happy with what they were doing and have decided to set up on their own. The charge that we conspired with them is absolutely incorrect."

Parker admits Newmont 'in play'

By Kenneth Gooding, Mining Correspondent

NEWMONT MINING and its 90 per cent-owned subsidiary Newmont Gold, the biggest gold producer in the US, have been put "squarely in play" and are possible bid candidates, said Mr Gordon Parker, the chairman of both companies, yesterday.

This is because Minorco, the South African-controlled investment group, has said that, if it gains control of Consolidated Gold Fields of the UK, it will sell Gold Fields' 49 per cent shareholding in Newmont Mining.

Currently Newmont Mining has a stock market value of about $2.5bn.

Mr Parker insisted that the other Newmont shareholders would be protected by the "standstill" agreement reached with Gold Fields last year when the UK company boosted its shareholding to 49 per cent.

Among other things the agreement prevents the 49 per cent block owners selling more than 14.9 per cent of Newmont Mining's voting stock to any one organisation or individual. Neither can more than 14.9 per cent go to organisations or individuals that are in some way connected.

The 49 per cent block can be tendered into an all-cash offer for Newmont Mining, but the block owners may not induce such an offer.

Mr Parker pointed out that the standstill arrangement had teeth because it also prevented the holders of the 49 per cent block nominating more than four of Newmont's 10 directors.

Asked why Newmont Mining had aligned itself with Gold Fields in the battle to fight off Minorco's hostile bid, Mr Parker said that his board for some time had held the view that it would be deleterious to the interests of the other shareholders of Newmont Mining to have Minorco as the holder of the 49 per cent block in place of Gold Fields.

He said it was a fact of life that Newmont would not be helped in its frequent dealings with different levels of government in the US and institutional shareholders if it was perceived to have a South African partner.

Even though Minorco has said it would sell the Newmont shareholding, "you can't be sure what damage might be done before the sale or how the shares will be sold. Our first line of defence must be to keep Minorco out of Gold Fields," said Mr Parker.

He was in London to talk to the UK Association of Investment Analysts, among other things.

Mr Parker stressed Newmont Mining was transforming itself from a quasi holding company into a fully integrated operating company concentrating mainly on gold but with a coal "kicker", in the shape of its 50 per cent stake in Peabody, the largest US coal producer.

To this end, key personnel were being moved from five locations to a new headquarters in Denver, Colorado, at a saving of about $5m a year.

The cost of the move had previously been estimated at $12m to $15m, but the auditors had insisted that Newmont took into account the loss on lease on its New York office. Newmont had therefore provided a reserve of $22.1m before tax for the move and this was the main cause of the $8.8m loss recently declared for the third quarter of 1988.

Discussing the recent weakness of the gold price, Mr Parker revealed that Newmont Mining had put a floor price under about 40 per cent of its projected output next year by buying "put" options covering 505,000 troy ounces of gold in 1989 at $400 an ounce.

Newmont Gold also had the flexibility to alter its mining plan in the face of declining gold prices.

Newmont Mining's debt rose to $1.9bn last year, when it paid a special dividend as part of a successful defence against a bid by a group led by Mr T. Boone Pickens, the Texas oilman and corporate raider. He said that, provided the gold price did not weaken much more, the debt would be reduced to about $1.2bn by the end of this year, thus triggering a 1 per cent reduction in the interest rate for much of the debt.

Mr Parker said Newmont would concentrate on growing through exploration rather than by acquisition. He pointed out that the average cost of finding gold reserves in the US in the past few years was $4 an ounce, whereas the cost per ounce of reserves in recent acquisitions in the States had been $100 to $200.

Mexico to float copper group

By Richard Johns in Mexico City

THE MEXICAN Government is to sell 56 per cent of Mexicana de Cobre, the country's largest copper mining company, to Fomento Industrial del Norte de Mexico (Fidenome) and the Union of Mining and Metallurgical Workers of the Mexican Republic for $1.36bn.

Also included in the deal is 100 per cent of Mexicana de Acido Sulfurico.

Fidenome, a subsidiary of Mr Jorge Larrea's Industria Minera de Mexico, and the union won the bidding in competition with two other leading mining groups, Penoles and Frisco, and the communications conglomerate Televisa. Nafinsa, the state development bank, which is handling the sale, had set a "reference", or reserve, price of $1.1bn on the assets involved.

The award caused some surprise and is bound to cause resentment amongst the losing bidders because a majority shareholding in Mexicana de Cobre, previously held by Mr Larrea and associates, was taken over by Nafinsa in June of this year and put in trust because of a breakdown in negotiations over repayments of a debt to the state reported to have exceeded $1bn.

The deal, if and when consummated, will amount to the largest single divestiture carried out by the Mexican Government in its privatisation programme and give a considerable boost at a time of falling oil revenues to the state's "primary" budget surplus (before payment of interest), which is an essential part of its austerity programme.

It will also result in a substantial reduction in the country's external debt. Nafinsa says that $860m will be paid with Mexican sovereign debt titles with the balance being provided in form of a loan from the bank itself.

Recently Mexican sovereign debt has been trading at about 47 cents to the dollar. The cash component of the purchase would cost the successful bidders a little over $400m.

Acting for the successful bidders is Morgan Guaranty, according to Mr José Romero Conte, co-ordinator of the sale for Nafinsa. The New York bank was not immediately available for comment.

Mexicana de Cobre was ranked as the country's 28th largest company in 1987, with sales of 286bn pesos ($310m at the average exchange rate for the year), and assets at the end of it of 186bn pesos, in a survey by the business magazine Expansion.

Nafinsa has, meanwhile, deferred a decision on the sale of Compañia Minera de Cananea.

Commodore Internat'l starts year on firm note

By Louise Kehoe in San Francisco

NET INCOME of $9.6m or 30 cents a share is reported by Commodore International, the US personal computer manufacturer, for the first quarter ended September 30. This is 92 per cent up on last year's corresponding net income from operations of $5m or 16 cents.

Sales were $200.2m against $173.9m. An extraordinary gain of $1.3m due to a tax loss carry-forward, increased last year's income to $6.3m or 20 cents a share.

Gross margins rose to 32 per cent, from 28 per cent a year ago. The company attributed its increased profits to operating efficiencies and a shift in product mix toward higher priced products. This was offset by higher marketing and advertising costs.

"This quarter's results demonstrate broad-based growth in demand for our products," said Mr Irving Gould, chairman and chief executive. "We are further increasing our marketing efforts in this important Christmas quarter," he added.

● Cray Research, the US supercomputer group, is introducing a new supercomputer that combines four processors with more than 512m 64-bit words, or approximately 4.3bn bytes, of directly addressable common memory.

This is double the common memory available in the original Cray 2/4-256 system, Agencies report. Cray said the new Cray 2/4-512 supercomputer will have a list price of $17m.

The company said the first new system will be purchased by the Minnesota Supercomputer Centre, an affiliate of the University of Minnesota. The centre's system order, which includes peripheral equipment, is valued at approximately $19m and will be installed during the 1988 fourth quarter.

CBOT proposes to trade new stocks basket option

By Deborah Hargreaves in Chicago

THE Chicago Board Options Exchange has filed for approval to trade an option based on a basket of stocks, to be directed primarily at institutional investors.

The exchange's filing with the Securities and Exchange Commission is part of a general drive by securities exchanges to offer investors baskets of stocks, which they can trade with a single purchase instead of having to build a basket with individual stock or option buys.

The initiative has been made partly in response to last October's stock market crash when huge amounts of stock sales rocked prices. So far, the Philadelphia Stock Exchange and the American Stock Exchange have developed their own basket contracts and the New York Stock Exchange is working on its version.

The CBOE's proposal is an option on a basket of 100 stocks that will be physically settled each day for the stocks in the Standard and Poor's 100 index. It differs from the exchange's existing S&P 100 index option which is cash-settled and runs over a longer time period.

The basket contracts should make it easier for investors to move in and out of large positions at a fairly low cost with minimal impact on stock prices, exchange officials say.

However, the SEC has yet to approve any of the innovative contracts. The regulatory body, the Commodity Futures Trading Commission, has already objected to the concept, saying the contracts are closer to futures than securities and therefore should come under its jurisdiction.

The two regulatory bodies are expected to fight the matter out in court.

Coca-Cola Enterprises plans disposal

COCA-COLA Enterprises, the world's largest soft drinks bottler, plans to sell Coca-Cola Bottling of Mid-America to Johnston Coca-Cola Bottling Group Inc for about $285m, AP-DJ reports from Atlanta.

The proposed sale, which should be completed by the end of the year, is expected to result in a one-time gain of about $110m before tax.

The territory served by Coca-Cola Bottling of Mid-America encompasses portions of seven mid-west states. Completion of the transaction is subject to clearance by the boards of Coca-Cola Enterprises and Johnston and to various regulatory approvals.

Separately, Coca-Cola Enterprises said it expects to recognise in the fourth quarter a one-time pre-tax charge of about $15m. The company said the charge related primarily to restructuring of high-coupon debt assumed in previous acquisitions.

Coca-Cola Enterprises also said it plans to repurchase up to 25m shares of its shares.

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INTERNATIONAL COMPANIES AND FINANCE

BIL takes control of Hong Kong offshoot

By Dai Hayward in Wellington

BRIERLEY INVESTMENTS (BIL), Sir Ron Brierley's New Zealand master company, has assumed direct control of Industrial Equity Pacific (IEP), its Hong Kong offshoot which has until now been held through the group's Australian subsidiary.

The A$1.2bn (US$984.4m) deal with the Sydney-based Industrial Equity (IEL) centres control of BIL's global operations at its Wellington headquarters.

BIL will buy 51 per cent of IEP from IEL to add to the 18 per cent it already owns separately. This means the group's corporate investments in Britain and the US, formerly held in Hong Kong, will now be located in Wellington.

BIL will pay HK$14.60 (US$1.86) for each IEP share, a substantial premium above the market price which closed at HK$11 yesterday, up 50 cents.

Sir Ron has also quashed speculation that BIL was to merge with IEL, an idea to which Australian shareholders have objected. The new structure should satisfy them. It will leave IEL concerned mainly with a range of Australian investments.

Sir Ron has also taken temporary leave as chairman of IEL to concentrate on merging IEP's operations with BIL.

By selling IEP, the Australian company will receive a surplus of A$220m over the book value of the company on June 30. IEL will also improve its debt to equity ratio. By that date IEL's consolidated balance sheet showed assets of A$6bn and shareholders' funds of A$2.3bn.

The Australian operations of IEL were the weakest performer of the three groupings which make up the Brierley empire. In the year to June, Australia contributed 18 per cent of BIL's profits. New Zealand provided 43 per cent, the US 17 per cent and the UK 22 per cent.

Sir Ron said this week that IEL had improved its position since last December. The A$276m deficit in IEL's investment fluctuation provision, shown in the annual report then, had been turned into a A$327m surplus.

IEL is due to hold its annual meeting in Sydney today. The sale of its IEP stake will mean it has shed its major investment but will have gained funds.

The restructuring will require IEP shareholders' approval on December 13.

Suspension adds to Rothwells uncertainty

Chris Sherwell on the troubles of the Perth merchant bank, which is facing "grave liquidity problems." Picture shows Laurie Connell (left) who resigned as a director on Monday, and his court adversary Warwick Fairfax

Trading in the shares of Rothwells, the troubled Perth merchant bank, was suspended yesterday, one day after it failed to meet the stock exchange's deadline for reporting its results for the year to July.

The exchange said in a statement that the suspension was at the request of Rothwells directors, who said they were "not in a position to release the pro-forma preliminary final statement at this stage."

The move follows Monday's resignation of Mr Laurie Connell as a director of Rothwells and his other public companies, and confirmation at the weekend by the Western Australian state government that Rothwells was facing "grave liquidity problems."

The suspension reinforces uncertainty over the future of Rothwells, and underlines the problem still facing the Western Australian state government, which has been involved in efforts over the past year to prevent the bank's collapse.

Rothwells has already received injections amounting to A$600m (US$492.2m) from Mr Connell and a group of prominent businessmen since anxious depositors mounted a debilitating run on its funds in the wake of last October's stock market crash. Mr Connell himself stood down as managing director to become a non-executive director last December, when the institution also gave up its securities dealer's licence.

Both moves were the result of pressure from the regulatory authorities, which have also encouraged the thorough audit of Rothwells' books still under way. Yesterday Mr Henry Bosch, head of the National Companies and Securities Commission (NCSC), admitted he was "very disappointed indeed" at the amount of time it was taking to get accurately audited accounts.

Mr Connell is currently in Sydney, attending court hearings of Rothwells' claim for a A$100m "success fee" for its advice to Mr Warwick Fairfax in his A$2.55bn bid to take the Fairfax media group private last year. Mr Fairfax has refused payment, alleging Rothwells did not properly perform its services, and has launched a counter-suit.

Rothwells, in return for an injection of much-needed funds, has already sold the A$100m fee at a discount to Bond Media, the broadcasting group controlled by entrepreneur Mr Alan Bond, a friend of Mr Connell's. Bond Media has joined Rothwells in the legal action.

The case is being heard in the New South Wales Supreme Court, and yesterday, after lengthy arguments in closed session, the judge ruled that certain information detailing Fairfax's current financial situation should remain confidential, even though it is relevant to the case.

The information is contained in documents prepared by Fairfax's bankers concerning its planned A$1.4bn debt restructuring package. It is said to include such details as revenues and asset values, which would plainly be of use to Fairfax's competitors.

Hearings are also continuing at the Australian Broadcasting Tribunal, which is inquiring into the fitness of Mr Bond and his companies to hold broadcasting licences. Mr Bond, a close friend of Mr Connell, controls the Channel Nine television network and a chain of radio stations.

On Monday Mr Bond denied threatening to use his television staff and stations to "expose" share transactions involving the AMP Society, Australia's largest institutional investor.

The AMP's chief investment manager earlier alleged Mr Bond did make such a threat when the AMP was resisting Bond Corporation's attempts to secure board representation at Bell Resources following its acquisition of a 20 per cent stake in the parent Bell Group.

Mr Bond says he warned the AMP executive he would go on television to put his case, adding that before making any public comments he would get his staff – meaning Bond Corporation staff – to collect information on AMP share transactions.

The tribunal is investigating the alleged threats and also the separate question of a A$400,000 defamation payment by Mr Bond to Sir Joh Bjelke-Petersen, the then Queensland premier, in 1986. The outcome is unlikely to be known for some months.

Global Natural Resources Ltd

A *Scheme of Arrangement dated* 17th May 1983 providing, among other things, for the exchange of bearer shares of Global Natural Resources Limited, formerly Global Natural Resources PLC, a company organised under the laws of England (Global-UK), for registered shares of Global Natural Resources Inc., a company organised under the laws of the State of New Jersey, USA (Global-US), became effective in July 1983. Pursuant to the Scheme of Arrangement, the issued and outstanding shares of Global-UK have been cancelled. They entitle the holders only to obtain registered shares of Global-US in exchange for their bearer shares of Global-UK and have otherwise ceased to have effect.

Holders of shares of Global-UK will not be entitled to receive dividends or notice of meetings or be able to vote or otherwise participate in the affairs of Global-US unless and until their bearer shares of Global-UK and the Form of Application to receive registered shares of Global-US, legibly completed, are received by the Exchange Agent named below and the shares *of Global-US are registered in the name of such* holders. Accordingly holders of bearer shares of Global-UK are strongly urged to write to one of the addresses given below to obtain Forms of Application.

Forms of Application may be obtained from the following:

Exchange Agent:
Registrar and Transfer Company
Attn: Exchange Department, 10 Commerce Drive
Cranford, New Jersey 07016, USA
or from:
Global Natural Resources Inc.
5300 Memorial Drive, Suite 900
Houston, Texas 77007, USA
or from:
Hambros Bank Ltd
Attn: Stock Counter, 41 Bishopsgate
London, England EC2P 2AA

Edgars sales rise 30%, but directors cautious

By Jim Jones in Johannesburg

EDGARS, South Africa's largest clothing chain, lifted sales by nearly 30 per cent and pre-tax profits by more than half in the six months to September 24 but is cautious about prospects for the rest of its current year.

Turnover advanced to R705m ($282.9m) from R543m and the interim pre-tax profit rose to R84.2m from R55.2m. The directors say Edgars gained market share, as national sales of clothing, footwear, textiles and accessories rose by only 24 per cent in nominal terms and by 9 per cent adjusted for inflation.

They say consumer confidence remains satisfactory and are cautiously optimistic that earnings will continue to grow during the second half. Retail analysts warn, however, that the latest increases in mortgage rates will reduce disposable incomes and that further interest rate increases could persuade consumers to reduce spending on inessentials.

First-half net earnings increased to 100.8 cents a share from 65.6 cents and the interim dividend has been raised to 22 cents from 16 cents. Last year's earnings totalled 141.7 cents and the year's dividend was 53.5 cents.

Edgars is controlled by South African Breweries, the diversified consumer goods group.

Reliance pays 55% dividend

By R.C. Murthy in Bombay

RELIANCE INDUSTRIES, the fast-growing Indian industrial company, has announced a dividend of 55 per cent for the 18-month period to June which, including a 30 per cent interim already paid, will bring a total payout of Rs560m ($36.7m) for its 1.6m shareholders.

Sales were Rs17.7bn, equivalent to Rs11.8bn on an annualised basis against Rs9.05bn in 1986. Reliance struck a bad patch in 1987 but recovered early this year and is again on a growth path. Mr D.H. Ambani, chairman, expects turnover to exceed Rs18bn for the year to June 1989.

Profits after interest but before depreciation for April-June 1988 were Rs550m against Rs1.7bn for the 18 months. The company's performance is being aided by an upturn in sales of polyester yarn and fibre as well as integration toproduce purified terephthalic acid, which helps cut polyester manufacturing costs.

Cheung Kong offer unconditional

MR LI KASHING'S Cheung Kong Holdings has made its offer for outside shareholdings in its Green Island Cement associate unconditional, after additional purchases in the market yesterday took it past 50 per cent control, writes Michael Marray in Hong Kong.

Cheung Kong already owned 44.6 per cent of Green Island, a cement company, and paid between HK$19.50 and HK$19.70 a share for an additional 5.4 per cent of the share capital. The HK$20 a share general offer values Green Island at HK$2.03bn (US$260.3m). Its shares closed up HK$1.70 at HK$19.40.

Mitsubishi Metal profits up 51.8%

MITSUBISHI METAL, a leading Japanese metal smelter, yesterday reported pre-tax profits in the first half to September up 51.8 per cent to Y10.2bn ($81.2m), AP-DJ reports from Tokyo.

Net earnings climbed 63.1 per cent to Y4.6bn, or Y7.54 a share from Y4.70. Sales were Y369.9bn, up 11.6 per cent. Company officials said growing demand in the midst of robust economic expansion and rising metal prices pushed up sales.

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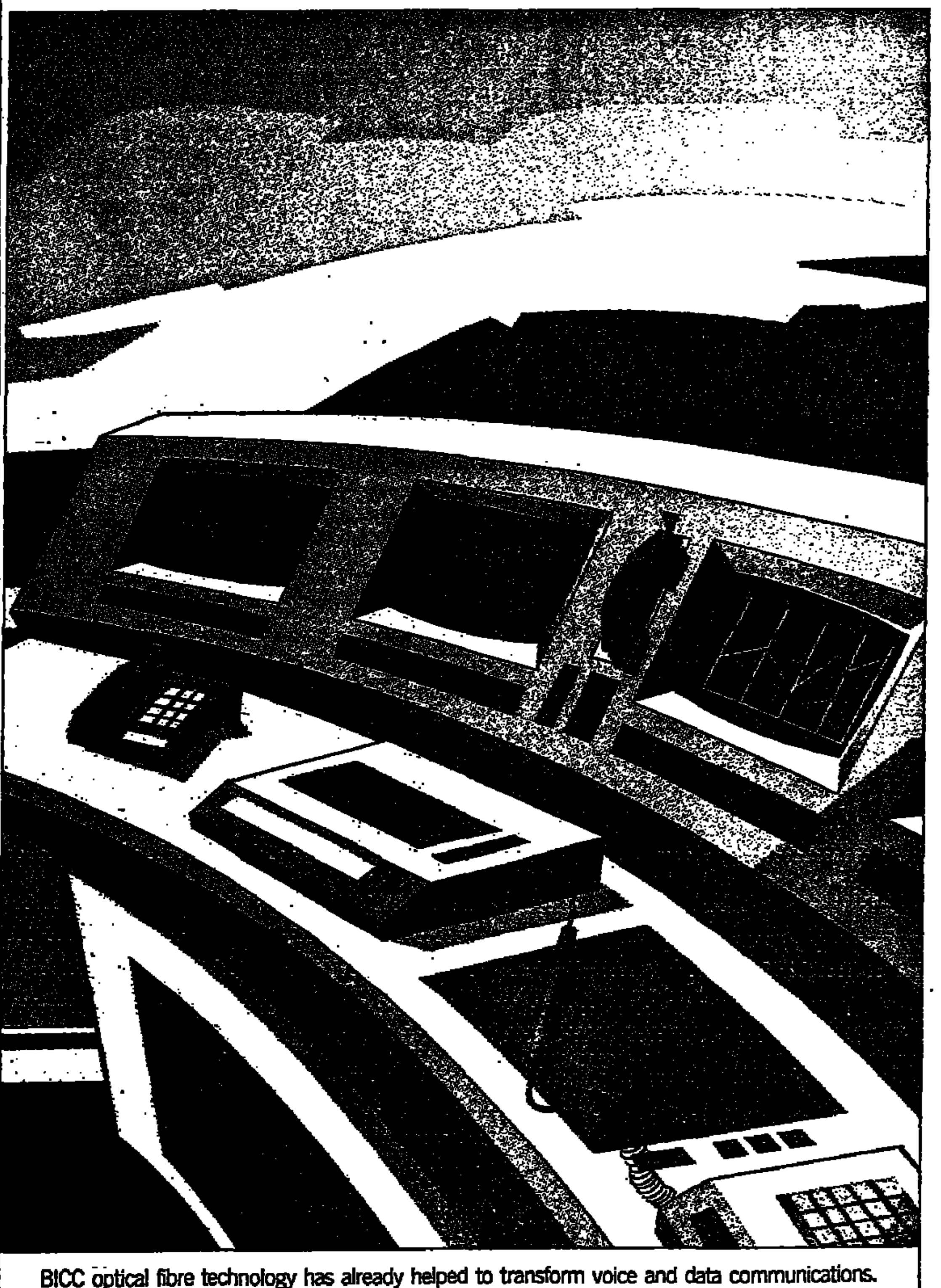

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The total communications market is generally reckoned to be one of the largest in the world.

And one of the key elements in its rapid growth over the past 15-20 years has been the development of optical fibre technology.

BICC has played a leading role in this development and is actively involved in the three key markets – telecoms, commercial datacoms and defence.

TRENDS TO DATE

Optical technology lies in three main areas: fibre production; cable-making; and jointing and terminating components and capabilities.

Our joint venture with Corning Glass has made us the world's largest producer of optical fibre outside the US.

And we have set industry standards in jointing and terminating with innovations such as our fusion splicer. This has recently been used on the longest optical fibre link in Europe – the London to Edinburgh link for British Rail.

FUTURE DEVELOPMENTS

As communications are extended in optical form right up to the user's equipment, the huge load capacity could revolutionise the services available.

Thus we stand on the threshold of a whole new range of possible educational, entertainment, commercial, medical, social and welfare services. And we at BICC are looking forward to playing an important role in this exciting future.

For more information please write to:
Tim Sharp, Head of Corporate Communications, BICC plc, Devonshire House, Mayfair Place, London W1X 5FH.

BICC

ENGINEERING TOMORROW'S WORLD

INTERNATIONAL COMPANIES AND FINANCE

SONATRACH
Société Nationale pour la Recherche, la Production le Transport, la Transformation et la Commercialisation des Hydrocarbures

US$ 140.000.000.– Guaranteed Bonds due May 15, 1992

Notice is hereby given to the holders of the bonds that, pursuant to and in accordance with Article 4(A) of the Terms and Conditions endorsed on the Bonds, the Company will redeem the Bonds at 100 per cent (plus in the case of Interest Bonds accrued interest) by a first instalment of US$17.500.000.– on November 15th, 1988 provided that the proportion of the principal amount of Interest Bonds to Non-Interest Bonds redeemed shall be in the ratio of 4:1.

The Bonds have been called for redemption by lots by the Principal Paying Agent as follows:

– Interest Bonds in the principal amount of US$14.000.000.– with serial numbers 1 to 1.400 (of US$10.000.– denomination).

– Non-Interest Bonds in the principal amount of US$3.500.000.– with serial numbers 1 to 35 (of US$100.000.– denominations)

Outstanding principal amount for the Interest Bonds is US$98.000.000.–

Outstanding principal amount for the Non-Interest Bonds is US$24.500.000.–

PRINCIPAL PAYING AGENT
BANK OF AMERICA INTERNATIONAL, S.A.
35, Boulevard Royal
L – 2014 LUXEMBOURG
Tel: 47 49 20 1

PAYING AGENT
BANK OF AMERICA NT & SA
P.O. BOX 5280
MANAMA BAHRAIN

Notice to Holders of TOYAMA CHEMICAL CO., LTD. (the "Company") Warrants to Subscribe for Shares of Common Stock of the Company, Issued in Conjunction with the Issue of US$50,000,000 1⅜% Guaranteed Bonds Due 1992

In respect of the above warrants, notice is hereby given as follows:
On 28th October, 1988, the Board of Directors of the Company resolved to make to shareholders of record as of 30th November, 1988, a free distribution of shares of its common stock at the rate of 0.05 new shares for one share so recorded.
As a result of the above free distribution, the Subscription Price (as defined in the Instrument dated 9th July, 1987, executed by the Company) of the above warrants per share of common stock will be adjusted, pursuant to the provisions of Clause 3 of the Instrument, as follows:

Current Subscription Price per share	Yen 1,366.7
Adjusted Subscription Price per share	Yen 1,301.6

The said adjustment of the Subscription Price will become effective as from 1st December, 1988 (Japan time).

Toyama Chemical Co., Ltd.
2-5, Nishishinjuku 3-chome
Shinjuku-ku, Tokyo, Japan.
2 November, 1988

HALIFAX
BUILDING SOCIETY
£150,000,000
Floating Rate Loan Notes Due 1996 (Series A)

Interest Rate	12.08%
Interest Period	31st October 1988 30th November 1988
Interest Amount due 30th November 1988 per	
£ 5,000.00 Note	£ 49.51
£50,000.00 Note	£495.08

Credit Suisse First Boston Limited
Agent Bank

SABRE VII LIMITED
US$50,000,000
Floating Rate Secured Notes Due 1992

For the 6 months period 31st October, 1988 to 28th April, 1989 the Notes bear the interest rate at 8.9375% per annum. US$44,439.24 will be payable from 28th April, 1989 per US$1,000,000 principal amount of notes.

By: Yamaichi International (Europe) Limited, Agent Bank

Nokia afflicted by growing pains

Olli Virtanen on the cost of a Finnish group's rush into electronics

Nokia, the 123-year-old conglomerate which is Finland's biggest private sector company and the world's largest mobile telephone maker, is suffering from the growing pains of adolescence as it rushes headlong into electronics.

Over the past 12 months Nokia has boosted its total sales by 63 per cent but digestion of the big electronics units acquired during the period has weakened the group's performance equally fast.

The situation, says Nokia, is not satisfactory but it "corresponds with the long-term plans." The buying spree is part of a strategy to move the company into areas with better long-term growth prospects than its traditional businesses, and to safeguard its long-term future in electronics, the company says, it had no choice but to expand through acquisition.

Five years ago electronics accounted for only 20 per cent of the group's net sales of FM6.9bn ($1.64bn). This year, sales will total FM22bn and the share of electronics has climbed to 60 per cent, dwarfing the traditional cable, rubber and tissue paper divisions.

The growth, of course, has come from a number of major acquisitions while the consequent restructuring and financial expenses have inevitably put a strain on the group's profitability.

In the first eight months of this year Nokia's profit before minority items and taxes dropped 40 per cent to FM402m, and that included a FM180m gain from the sale of most of Nokia's 24 per cent stake in a pulp business.

Meanwhile, sales jumped from FM8.3bn in the first eight months of 1987 to FM13.5bn. The fastest growers were the data division, which boosted sales from FM1.8bn to FM5bn during the period, and the consumer electronics business, which notched up sales of FM6.5bn, against just FM2.7bn a year earlier.

The current doldrums largely result from the takeover in August 1987 of Oceanic, a French television manufacturer, the acquisition of the consumer electronics business of Standard Elektrik Lorenz (SEL) of Germany in December and a third purchase, that of the data division of Sweden's Ericsson, just a month later.

None of the units was in a better shape than Nokia's existing electronics operations at the time. As Mr Antti Lagerroos, executive vice-president for consumer electronics, puts it: "Without the acquisitions we would make a very good profit this year."

On the other hand, Nokia maintains, there is no other way to secure the future. The markets in both the data business and consumer electronics will face a period of slower growth and consequently market shares will play an increasingly important role in a company's profitability, says Mr Lagerroos.

The decision to enter the consumer electronics and data businesses meant full commitment to become a major European force in both fields. Today Nokia is Scandinavia's leading information technology company and Europe's third largest television manufacturer.

Since the acquisitions Nokia has worked hard to create synergy between the operations. Colour TV production, which included about a dozen different brand names, will now be concentrated under the new Euro-model range, ITT-Nokia, although many of the traditional names, like Oceanic in France, will continue to exist, at least for the time being.

Nokia's corporate image has suffered for years from the lack of products with a Nokia brand name. The introduction of the new ITT-Nokia television family is one remedy to the handicap. Some two years ago Nokia changed the name on its Mobira mobile telephone handsets to Nokia-Mobira.

Nokia has also standardised television manufacturing operations so that all its existing production facilities, which include factories in Finland, Sweden, West Germany, France and Spain, can manufacture ITT-Nokia sets.

The restructuring has also involved trimming the workforce at Nokia-Graetz in Germany by 500. And Mr Lagerroos hints that Nokia may still close even whole plants in order to optimise production.

The search for synergy also crosses the line between consumer electronics and data operations. The data division has production facilities only in Sweden and Finland but is poised to enter the European market, particularly in view of the 1992 EC internal market.

But Nokia can easily establish computer production operations inside the EC by converting one of its television production plants to make Alfaskopmicro computers or Nokia PCs.

As in consumer electonics, Nokia has restructured the data business by reducing the workforce in Sweden by 500 to 8,000. The products will be made compatible with each other not only from the user's point of view but also from the fitter's. The same computers will be made at different plants but with different names.

Further synergy can be created between mobile telephone and television manufacturing. With a global market share of 13.8 per cent in mobile telephones, Nokia will not ignore the possibility of making the handsets at the European television plants.

For example 60 per cent of the machinery at Nokia-Graetz's plant at Bochum can be used for making mobile telephones.

Coming of age has been a strenuous task for Nokia and it is expected to continue for at least the best part of next year. As a result Nokia's share price has taken a beating.

Depending on the class of share, Nokia's stock price has plummeted between 14 per cent and 38 per cent during the past 12 months, while the Unitas general index of the Helsinki Stock Exchange has risen 26 per cent.

None of this makes Nokia worried about the future. Mr Jorma Ollila, group vice-president for finance, emphasises that the last four months of the year usually bring in a proportionally larger share of the annual profit than the first eight months. Much of this will be generated by Christmas sales of consumer electronics.

This year the annual result will also get a boost from exports to the Soviet Union, which opened again following an agreement between the two countries.

Nokia's financial position, according to Mr Ollila, is still very good. At the end of last year liquid assets amounted to FM3bn and at the end of August, after having paid off all the debt accruing from the acquisitions, the group still had FM2.6bn in cash.

Liquidity was boosted by FM800m raised through a combined rights and scrip issue and a DM250m bond launched in the first quarter of 1988.

According to some stock market analysts, Finland's leading private sector industrial company is still basically in a sound condition. Its traditional businesses are performing better than last year.

As Mr Sakari Tuomainen, managing director of KOP-Rahasto, a Finnish mutual fund, points out: "There are always substantial risks involved in the electronics business, but all available information now points to a brighter future for Nokia."

ERICSSON PLANS S-E ASIA PRODUCTION

ERICSSON, the Swedish telecommunications group, plans to relocate production of its telephone handsets to South-east Asia in the 1990s to cut manufacturing costs and streamline its business communications division still further, writes Sara Webb.

Ericsson said deregulation in the telecommunications industry had allowed low-cost producers to blossom in other countries and had increased international competition.

The company plans to wind down production of telephone handsets at its plant in Karlskrona, southern Sweden, and cut 700 jobs there starting next year. The plant produces 500,000 telephones annually and accounts for 1.5 per cent of total group sales.

Ericsson said it was negotiating with several companies in South-east Asia about relocating production. "Manufacturers in South-east Asian countries like Taiwan are of a high enough standard to meet our specifications for telephone instruments," it added.

The business communications division was part of Ericsson's ill-fated Information Systems division until earlier this year. But Ericsson has sold off large parts of the division, including the data systems area, to Nokia of Finland, and the bulk of the office equipment side to Design Funktion of Norway.

Commerzbank lifts Brazilian holding

By Haig Simonian in Frankfurt

COMMERZBANK, West Germany's third largest bank, is expanding its presence in the Brazilian banking market by raising its stake in Unibanco-Banco de Investimento do Brasil (BIB), one of the country's largest privately-owned banks, to 19.4 per cent from 5 per cent.

The increase, costing DM130m ($73m), will give Commerzbank 10 per cent in the overall Unibanco group once its separate investment and commercial banking activities are merged, as planned, in the next few months.

Commerzbank has made clear that it would like to increase its stake in the bank further should more shares become available. However, the rest of the equity in Unibanco-BIB remains firmly in Brazilian hands, apart from a 12 per cent stake owned by Dai-Ichi Kangyo (DKB), the leading Japanese bank.

Both Commerzbank and DKB have raised their holdings by buying the stakes formerly owned by three other foreign shareholders, Credit Suisse, Harris Bank and the Philadelphia International Investment Corporation, which have decided to pull out.

Financing for the Commerzbank deal was partly by way of a debt-equity swap, making it a particularly attractive transaction, according to a Commerzbank official.

Unibanco-BIB, formed at the beginning of this century, has 674 branches in Brazil and neighbouring Latin American countries. But Commerzbank's interest centres on the Brazilian bank's commercial rather than retail banking activities.

Securitas expands abroad with three acquisitions

By Sara Webb in Stockholm

SECURITAS, a Swedish locks, alarms and guard service company, has bought three security service companies, in Norway, Denmark and Portugal, with combined turnover of SKr1bn ($162m) as part of its plan to expand internationally.

The seller is Group 4 Securitas, formerly part of the same group as Securitas — before the founder split the group between his two sons.

The deal is expected to increase Securitas' turnover to SKr3bn, with profits of SKr100m for 1989, according to Mr Melker Schorling, managing director of Securitas.

The three companies have 6,000 employees and are currently breaking even.

Securitas is paying with shares. As a result, Group 4 Securitas acquires a 30 per cent shareholding, while Latour, a Swedish investment company controlled by Mr Gustaf Douglas (who is the chairman of Securitas) will consequently reduce its shareholding from 90 per cent to 63 per cent. The remaining shares are owned by Mr Schorling.

Union Re stakes sold

By John Wicks in Zurich

UNION BANK of Switzerland and Swiss National Insurance areto sell their stakes in the Zurich-based Union Reinsurance to the Swiss Reinsurance group in a move which will consolidate Swiss Re's leading position in Switzerland.

Hitherto, UBS has owned 60.7 per cent of Union Reinsurance and Swiss National Insurance a further 24 per cent.

Union Re last year reported a premium volume of SFr476m ($317m). It has subsidiaries in the Netherlands, France and Spain and is Switzerland's third biggest reinsurer.

Last year the Swiss Re group booked gross premium income of SFr10.66bn, a 4.3 per cent decline from 1986 figures.

APPOINTMENTS

air new zealand

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USD 350.000.000 FRN DUE 1997
PREMATURE REDEMPTION

This is to confirm that the above mentioned issue has been called for premature redemption on October 31st 1988 at 100 percent.

From and after the redemption date such notes shall cease to be entitled to interest and the holders thereof shall cease to be entitled to exercise any rights in respect thereof except for the right to receive the redemption price on such notes upon the presentation and surrender of the notes and the unmatured coupons.

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SOCIEDAD DEL ESTADO

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OPENING DATE: November 25, 1988. 10.00 a.m.
Value of Bidding Terms and Conditions: ₳ 300.00.
Enquiries and withdrawal of bidding documents from: Gerencia de Compras - Adolfo Alsina 1418. Planta Baja. Capital Federal. República Argentina.
From Mondays to Fridays, 11.00 a.m. - 02.00 p.m.
Tenders submittance and opening at the address aforesaid.

TENDER NOTICE

FERTILIZER - SMALLHOLDER REQUIREMENTS 1989/90 SEASON

The Government of the Republic of Malawi and Smallholder Farmers Fertilizer Revolving Fund of Malawi have a Fertilizer Revolving Fund held with Reserve Bank of Malawi. The International Fund for Agricultural Development (IFAD) and International Development Association (IDA) have contributed to the Fertilizer Revolving Fund. The Fertilizer Revolving Fund will be utilized exclusively for the procurement of fertilizer for the Malawi Smallholder Sector's 1989-90 Season requirements.

Tendering procedures will be in accordance with IFAD and IDA procurement guidelines:

Brief details of the fertilizer required as follows:-

Between 10,000 and up to 20,000 metric tonnes NPK Compound 23:23:0.
Between 18,000 and up to 30,000 metric tonnes Calcium Ammonium Nitrate.
Between 17,000 and up to 35,000 metric tonnes Urea.
Between 8,000 and up to 15,000 metric tonnes Diammonium Phosphate.
Between 3,000 and up to 8,000 metric tonnes of Sulphate of Ammonia.

The closing date of the Tender is 8th December 1988 and Tender Documents may be obtained by any interested bidders from the address below:

Finance Corporation of Malawi Limited,
Victoria Avenue, P.O. Box 750,
Blantyre, Malawi.

Telephone 620477, Telex 44657, Fax 620102.

COMPANY NOTICES

JF PACIFIC WARRANT COMPANY S.A.
Société Anonyme
Registered Office: 2 boulevard Royal, Luxembourg
R.C. Luxembourg B-24492

Shareholders are hereby convened to the

ANNUAL GENERAL MEETING

of shareholders of JF PACIFIC WARRANT COMPANY S.A. which will be held at its registered office, 2, boulevard Royal, Luxembourg, on *Friday, November 18, 1988* at 3.00 p.m. with the following agenda:

1. *Submission and approval of the Reports of the Board of Directors and of the* Statutory Auditors.
2. Approval of the Statement of Net Assets as at June 30, 1988 and of the Statement of Operations for the year then ended; Appropriation of the Net Profits.
3. Discharge of the Directors and of the Statutory Auditors.
4. Action on nomination of the Directors.
5. Miscellaneous.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken at a simple majority of the votes expressed by the shareholders present or represented at the meeting with no restriction.

In order to attend the meeting of November 18, 1988 the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with Banque Internationale à Luxembourg, Société Anonyme, 2, boulevard Royal, L - 2953 Luxembourg.

Luxembourg, October 24, 1988 — THE BOARD OF DIRECTORS

CORRECTION NOTICE

RYODEN TRADING COMPANY, LIMITED

NOTICE OF CHANGE OF SUBSCRIPTION PRICE

Re the notice published on 28th October, 1988 the new Subscription Price should be as follows:
Japanese Yen 818.20.
All other details remain the same.

RYODEN TRADING COMPANY, LIMITED

RESIDENTIAL PROPERTY

Frustrated!! Property Search & Relocation Service Bristol - Bath - West Country - (0272) 237847. Lawrence & Oliver, 10 Saville Pl. Clifton, Bristol.

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FINANCIAL TIMES CONFERENCES

WORLD ELECTRICITY
London, 14 & 15 November, 1988

The 1988 World Electricity conference will assess the role of competition in electricity supply and examine the progress of privatisation in the UK and elsewhere. The prospects for coal and natural gas in the power generation market, the status of nuclear power and the likely impact of structural change in the 1990s will also be debated by an eminent panel of speakers. Contributors include: Helga Steeg, International Energy Agency; Lord Marshall of Goring, CEGB; Martha Hesse, Federal Energy Regulatory Commission; and Henry Townsend, Bechtel Power Corporation. Norman Lamont, Financial Secretary to the Treasury, will be guest lunch speaker.

PRIVATE HEALTH CARE
London, 29 & 30 November, 1988

This conference will examine major issues facing the private health care sector in Britain including the importance of co-operation between the public and private sector, employee health care, new dimensions in health insurance and the care of the elderly. Speakers will include: David Mellor, Minister of State for Health; Robert Graham, BUPA; David Willetts, Centre for Policy Studies; Harriet Harman, Opposition Spokesperson on Health; Marvin Goldberg, AMI; John Chawner, BMA; Derry Andrews, Sun Alliance Health First; Peter Townsend, Bioplan Holdings; Paul Stacey, Nuffield Health Care; Ken Grant, City & Hackney District Health Authority and Professor Jan Blanpain; Chairman of the European Health Policy Forum. The conference will be chaired by William Laing of Laing & Buisson and Professor Alan Maynard, Director of the Centre for Health Economics.

THE OUTLOOK FOR OIL
London, 5 & 6 December 1988

H E Sheikh Ali Khalifa Al-Sabah, the Kuwaiti Oil Minister, and Mr H E Issam Al-Chalabi, the Iraqi Oil Minister will be the two principal speakers from the Gulf at this topical conference. Production, prices and the outlook for the post war Gulf provide the main themes for discussion. Other contributors will include Robert Horton, Managing Director, British Petroleum Company; James Schlesinger, former US Secretary for defense and Energy; Charles DiBona, President of the American Petroleum Institute and Graham Hearne, Chief Executive, Enterprise Oil.

An interesting subject to be tackled for the first time at the FT oil conferences is Soviet production and prices. Academician M A Styrikovich and Dr Yu V Sinyak of the Energy Problems Research Group of Experts, USSR Academy of Sciences will be giving their views on this interesting facet of energy scene.

WORLD TELECOMMUNICATIONS
London, 13 & 14 December, 1988

The world telecommunications industry is being buffeted by a combination of rapid technological change and a steady reduction in long-established barriers to competition. These developments and likely trends will be debated by an authoritative panel of speakers including Professor Bryan Carsberg, Yasuo Otaki, Bjorn Wellenius, Professor Deodato Gagliardi, Sir Eric Sharp and Edward Staiano.

All enquiries should be addressed to the:
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126 Jermyn Street, London SW1Y 4UJ.
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FINANCIAL TIMES
Europe's Business Newspaper

INTERNATIONAL COMPANIES AND FINANCE

Intershop seeks approval for SFr100m capital issue

By John Wicks in Zurich

INTERSHOP, Zurich-based property developer, plans a series of capital transactions aimed at financing new investments and "strengthening its Swiss character."

The company, whose registered shareholders include institutional investors in six European countries, is to propose the issue of a SFr100m ($65.1m) warrant loan to be placed by a banking consortium at an extraordinary general meeting on November 25.

Each SFr5,000 warrant loan certificate would carry with it 50 warrants, and every 10 warrants would give an option to buy one new bearer share. The option price will be "approximately" that of the share's market quotation.

At the same time, all existing "B" registered shares will be converted into bearer shares and subsequently 500,000 new registered shares will be issued without drawing rights at a nominal value of SFr100 each instead of SFr200 at present.

The creation of new registered shares with twice the voting power of bearer stock will increase the influence of Swiss shareholders. This is intended in the light of Swiss laws restricting purchases of Swiss real-estate by foreign interests. Some 26 per cent of Intershop's assets are currently in Swiss property.

The registered shares will be listed on Swiss stock exchanges. Registered shares have not previously been traded on the open market.

The existing priority rights of bearer shares are to be lifted. Holders of bearer shares will at the same time receive compensation in the form of free options at a rate of one per existing share, 10 of which will be exchangeable for a bearer share at current prices.

Share capital will be raised from SFr175m to SFr210m by the issue of 175,000 new bearer shares of SFr200 nominal value and by a further SFr50m by the issue of the 500,000 new registered shares.

Sunday Sport moves into the daily arena

THE EXPANSION of Sunday Sport, the tabloid newspaper which carries headlines such as "Second World War bomber found on the moon," continues apace with the planned launch of another edition, writes Raymond Snoddy in London.

Mr David Sullivan's paper may have redefined the concept of bottom of the market. But unlike the more sober newspaper ventures, London Daily News and News on Sunday, which both collapsed, it is flourishing.

Sunday Sport had an audited September circulation of 584,377. It gave birth the previous month to The Sport, a Wednesday edition of the newspaper. That paper is now claiming sales of 350,000.

The Sport on Friday will be launched on March 31 next year and, if it is a success, The Sport will become a daily 18 months later. The Friday newspaper will be edited by Mr Drew Robertson who currently heads Sunday Sport.

Miss Karen Brady, 19-year-old marketing director of Sunday Sport, said yesterday the company was very profitable. It has a staff of 35 full-time members and 20 freelances.

Recent journalistic triumphs have included "Man gives birth to baby," "Elvis is alive" and "Vampire bizarre three in bed Romp."

Staff crisis continues to hit systems industry

By Alan Cane in London

THE shortage of professional computing staff in the UK seems likely to continue.

The latest survey carried out by the Computer Users' Year Book indicates a shortfall of some 30,000 data processing professionals despite the fact that 12,000 more trained computer staff joined the industry last year than left it.

The shortage of staff in all areas has been identified as the single most important constraint on the growth of both the UK hardware and software industries, and on the use of computing in UK businesses.

The year book says the greatest demand is for development staff. A total of 305,000 data processing staff were last year employed in companies with computer installations worth more than £30,000 ($52,800), about 5 per cent more than in the previous year and equal to more than 1 per cent of the total UK work force.

The survey indicates the median salary last year for a data processing manager in the private sector was £19,600 and £19,100 in the public.

● *CUYB Salary Survey, £95. Derek Pedder, Tel:01-569 8060.*

Videomusic takes control of satellite television station

By Raymond Snoddy in London

VIDEOMUSIC, Italian rock music television station, has taken control of Super Channel, loss-making general entertainment satellite channel officially launched last year by Mrs Margaret Thatcher, UK Prime Minister.

Mr Richard Branson, chairman of the Virgin Group, which holds 45 per cent of Super Channel, decided not to exercise an option to match the Italian offer for the 55 per cent still held by the founding Independent Television (ITV) companies.

"We wanted to take over the channel and run it ourselves and until Monday lunchtime it could have gone either way," Mr Branson said yesterday.

The Italian company was, however, prepared to take on the channel's net liabilities of about £5m ($8.8m) and put up another £6m-£7m to run the channel without substantially diluting Mr Branson's current stake.

Videomusic and Virgin decided after discussions on Monday to run the channel as a joint venture.

In future, it will specialise in music and news with an expansion in the volume of news provided by Independent Television News.

"We like the Italians and we think we can work with them," Mr Branson said yesterday.

The man behind the Videomusic bid is Mr Guelfo Marcucci, a wealthy Tuscan businessman with interests in pharmaceuticals, hotels, paper and pulp, as well as broadcasting.

Super Channel assets include access to 13.5m homes attached to cable television networks in 15 European countries, and the the hidden asset of more than £30m in tax losses should the channel begin to be profitable in the forseeable future.

"Pan-European advertising is increasing at the rate of 50 per cent a year," Mr Branson said yesterday.

He hopes the single market in 1992 will increase the number of companies which will want to advertise on a Europe-wide basis.

The compromise deal agreed yesterday means that Super Channel will survive, albeit in a modified form.

The deal means a significant defeat for 14 ITV companies with write-offs on their balance sheets.

"I enjoyed your music programs very much. Could you send me a copy?"

This is an authentic passenger statement.

Lufthansa

INTERNATIONAL CAPITAL MARKETS

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday October 31,1988 . In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US $	D-MARK	YEN (X 100)
Afghanistan (Afghani)	99.25	56.1210	31.5079	44.7072
Albania (Lek)	10.1789	5.7556	3.2313	4.5850
Algeria (Dinar)	11.3774	6.4333	3.6118	5.1249
Andorra (Fr Fr)	10.7575	6.0828	3.4150	4.8457
(Sp Peseta)	207.25	117.1897	65.7936	93.3558
Angola (Kwanza)	53.0170	29.9785	16.8307	23.8815
Antigua (E Carr $)	4.81	2.7198	1.5269	2.1666
Argentina (Austral)	21.8850	12.3748	6.9476	9.8581
Aruba (Florin)	3.1871	1.8021	1.0117	1.4356
Australia (Aus $)	2.1635	1.2233	0.6868	0.9745
Austria (Schilling)	22.135	12.5162	7.0269	9.9707
Azores (Port Escudo)	260.40	147.2434	82.6666	117.2972
Bahamas (Bahama $)	1.7685	1	0.5614	0.7966
Bahrain (Dinar)	0.6700	0.3788	0.2126	0.3018
Balearic Is (Sp Peseta)	207.25	117.1897	65.7936	93.3558
Bangladesh (Taka)	56.00	31.6652	17.7777	25.2252
Barbados (Barb $)	3.5811	2.0249	1.1368	1.6131
Belgium (Belg Fr)	66.05c	37.3480	20.9682	29.7522
	66.40g	37.5459	21.0793	29.9099
Belize (B $)	3.5610	2.0135	1.1304	1.6040
Benin (CFA Fr)	537.88	304.1447	170.7555	242.2882
Bermuda (Bermudian $)	1.7685	1	0.5614	0.7966
Bhutan (Ngultrum)	27.00	15.2671	8.5714	12.1621
Bolivia (Boliviano)	4.5759	2.5874	1.4526	2.0612
Botswana (Pula)	3.5075	1.9833	1.1134	1.5799
Brazil (Cruzado)	820.73	464.0825	260.5492	369.6981
British Virgin Is (US $)	1.7685	1	0.5614	0.7966
Brunei (Brunei $)	3.5458	2.0049	1.1256	1.5972
Bulgaria (Lev)	1.4461	0.8176	0.4590	0.6513
Burkina Faso (CFA Fr)	537.88	304.1447	170.7555	242.2882
Burma (Kyat)	11.2754	6.3756	3.5794	5.0790
Burundi (Burundi Fr)	264.6708	149.6583	84.0224	119.2210
Cameroon (CFA Fr)	537.88	304.1447	170.7555	242.2882
Canada (Canadian $)	2.1560	1.2191	0.6844	0.9711
Canary Is (Sp Peseta)	207.25	117.1897	65.7936	93.3558
Cp. Verde Is (CV Escudo)	132.4603	74.8998	42.0508	59.6668
Cayman Is (CI $)	1.4778	0.8356	0.4691	0.6656
Cent.Afr. Rep (CFA Fr)	537.88	304.1447	170.7555	242.2882
Chad (CFA Fr)	537.88	304.1447	170.7555	242.2882
Chile (Chilean Peso)	440.92	249.3186	139.9746	198.6126
China (Renminbi Yuan)	6.5472	3.7021	2.0784	2.9491
Colombia (Col Peso)	576.96	326.2425	183.1619	259.8918
Comoro Is (CFA Fr)	537.88	304.1447	170.7555	242.2882
Congo (Brazz) (CFA Fr)	538.88	304.7102	171.0730	242.7387
Costa Rica (Colon)	139.7693	79.0326	44.3712	62.9591
Cuba (Cuban Peso)	1.3560	0.7667	0.4304	0.6108
Cyprus (Cyprus £)	0.8295	0.4690	0.2633	0.3736
Czechoslovakia (Koruna)	9.30c	5.2586	2.9523	4.1891
	16.10l	9.1037	5.1111	7.2522
	15.49t	8.7588	4.9174	6.9774
Denmark (Danish Kroner)	12.1375	6.8631	3.8531	5.4673
Djibouti Rep (Djib Fr)	308.00	174.1588	97.7777	138.7387
Dominica (E Carrib $)	4.81	2.7198	1.5269	2.1666
Dominican Rep (D Peso)	11.3062	6.3931	3.5892	5.0928
Ecuador (Sucre)	692.80o	391.7444	219.9365	312.0720
	921.95a	521.3175	292.6825	415.2927
Egypt (Egyptian £)	4.1300	2.3353	1.3111	1.8603
El Salvador (Colon)	8.8820	5.0223	2.8196	4
Equat'l Guinea (CFA Fr)	537.88	304.1447	170.7555	242.2882
Ethiopia (Ethiopian Birr)	3.6573	2.0680	1.1610	1.6474
Falkland Is (Falk £)	1.00	0.5654	0.3174	0.4504
Faroe Is (Danish Kroner)	12.1375	6.8631	3.8531	5.4673
Fiji Is (Fiji $)	2.5209	1.4254	0.8002	1.1355
Finland (Markka)	7.4680	4.2227	2.3707	3.3639
France (Fr)	10.7575	6.0828	3.4150	4.8457
Fr. Cty/Africa (CFA Fr)	537.88	304.1447	170.7555	242.2882
Fr. Guiana (Local Fr)	10.7575	6.0828	3.4150	4.8457
Fr. Pacific Is (CFP Fr)	190.33	107.6222	60.4222	85.7342
Gabon (CFA Fr)	537.88	304.1447	170.7555	242.2882
Gambia (Dalasi)	12.6594	7.1582	4.0188	5.7024
Germany East (Ostmark)	3.1500	1.7811	1	1.4189
Germany West (DMark)	3.1500	1.7811	1	1.4189
Ghana (Cedi)	406.81	230.0310	129.1460	183.2477
Gibraltar (Gib £)	1.00	0.5654	0.3174	0.4504
Greece (Drachma)	259.35	146.6497	82.3333	116.8243
Greenland (Danish Krone)	12.1375	6.8631	3.8531	5.4673
Grenada (E Carr $)	4.81	2.7198	1.5269	2.1666
Guadaloupe (Local Fr)	10.7575	6.0828	3.4150	4.8457
Guam (US $)	1.7685	1	0.5614	0.7966
Guatemala (Quetzal)	1.7685	1	0.5614	0.7966
	4.9028	2.7722	1.5564	2.2084
Guinea (Fr)	534.15	302.0356	169.5714	240.6081
Guinea-Bissau (Peso)	1157.325	654.4105	367.4047	521.3175
Guyana (Guyanese $)	15.9975	9.0458	5.0785	7.2060
Haiti (Goude)	8.9025	5.0339	2.8261	4.0101
Honduras (Lempira)	3.5528	2.0089	1.1278	1.6003
Hong Kong (HK $)	13.8730	7.8445	4.4041	6.2490
Hungary (Forint)	93.0185	52.5973	29.5296	41.9002
Iceland (Icelandic Krona)	82.20	46.4800	26.0952	37.0270
India (Indian Rupee)	27.00	15.2671	8.5714	12.1621
Indonesia (Rupiah)	3043.405	1720.8962	966.1603	1370.9031
Iran (Rial)	121.50	68.7022	38.5714	54.7297
Iraq (Iraqi Dinar)	0.5470	0.3093	0.1736	0.2463
Irish Rep (Punt)	1.1795	0.6669	0.3744	0.5313
Israel (Shekel)	2.8550	1.6143	0.9063	1.2860
Italy (Lira)	2342.00	1324.2861	743.4920	1054.9549
Ivory Coast (CFA Fr)	537.88	304.1447	170.7555	242.2882
Jamaica (Jamaican $)	9.5985	5.4274	3.0471	4.3236
Japan (Yen)	222.00	125.5301	70.4761	100
Jordan (Jordanian Dinar)	0.7875	0.4452	0.2500	0.3547
Kampuchea (Riel)	176.85	100	56.1428	79.6621
Kenya (Kenya Shilling)	32.22	18.2188	10.2285	14.5135
Kiribati (Australian $)	2.1635	1.2233	0.6868	0.9745
Korea North (Won)	1.7271	0.9765	0.5482	0.7779
Korea South (Won)	1242.53	702.5897	394.4539	559.6981
Kuwait (Kuwaiti Dinar)	0.49625	0.2805	0.1575	0.2235
Laos (New Kip)	623.175	352.3748	197.8333	280.7094
Lebanon (Lebanese £)	861.85	487.3338	273.6031	388.2207
Lesotho (Maluti)	4.3913	2.4830	1.3940	1.9780
Liberia (Liberian $)	1.7685	1	0.5614	0.7966
Libya (Libyan Dinar)	0.5106	0.2887	0.1620	0.2300
Liechtenstein (Swiss Fr)	2.6550	1.5012	0.8428	1.1959
Luxembourg (Lux Fr)	66.05	37.3480	20.9682	29.7522
Macao (Pataca)	14.3252	8.1001	4.5476	6.4527
Madeira (Port Escudo)	260.40	147.2434	82.6666	117.2972
Malagasy Rep (MG Fr)	2134.77	1207.1077	677.7047	961.6081
Malawi (Kwacha)	4.5965	2.5990	1.4592	2.0704
Malaysia (Ringgit)	4.7423	2.6815	1.5054	2.1361
Maldive Is (Rufiya)	17.9831	10.1685	5.7089	8.1004
Mali Rep (CFA Fr)	537.88	304.1447	170.7555	242.2882
Malta (Maltese £)	0.5895	0.3333	0.1871	0.2655
Martinique (Local Fr)	10.7575	6.0828	3.4150	4.8457
Mauritania (Ouguiya)	140.5883	79.4957	44.6312	63.3280
Mauritius (Maur Rupee)	24.1176	13.6373	7.6563	10.8637
Mexico (Mexican Peso)	4066.30a	2299.2931	1290.8888	1831.6666
	4018.59d	2272.3155	1275.7428	1810.1756
Miquelon (Local Fr)	10.7575	6.0828	3.4150	4.8457
Monaco (French Fr)	10.7575	6.0828	3.4150	4.8457
Mongolia (Tugrik)	5.9745	3.3782	1.8966	2.6912
Montserrat (E Carr $)	4.81	2.7198	1.5269	2.1666
Morocco (Dirham)	14.45	8.1707	4.5873	6.5090
Mozambique (Metical)	1114.95	630.4495	353.9523	502.2297
Namibia (S A Rand)	4.3913	2.4830	1.3940	1.9780
Nauru Is (Australian $)	2.1635	1.2233	0.6868	0.9745
Nepal (Nepalese Rupee)	39.71	22.4540	12.6063	17.8873
Netherlands (Guilder)	3.5550	2.0101	1.1285	1.6013
N'nd Antilles (A/Guilder)	3.1871	1.8021	1.0117	1.4356
New Zealand (NZ $)	2.8350	1.6030	0.9000	1.2770
Nicaragua (Cordoba)	568.45	321.4305	180.4603	256.0585
Niger Rep (CFA Fr)	537.88	304.1447	170.7555	242.2882
Nigeria (Naira)	8.4645	4.7862	2.6871	3.8128
Norway (Nor. Krone)	11.7350	6.6355	3.7253	5.2860
Oman (Rial Omani)	0.6850	0.3873	0.2174	0.3085
Pakistan (Pak. Rupee)	33.10	18.7164	10.5079	14.9099
Panama (Balboa)	1.7685	1	0.5614	0.7966
Papua New Guinea (Kina)	1.5034	0.8500	0.4772	0.6772
Paraguay (Guarani)	586.45o	331.6087	186.1746	264.1666
	1756.86a	993.4181	557.7333	791.3783
Peru (Intl)	58.62o	33.1467	18.6095	26.4054
	917.32a	518.6994	291.2126	413.2072
Philippines (Peso)	37.20	21.0347	11.8095	16.7567
Pitcairn Is (£ Sterling)	1.00	0.5654	0.3174	0.4504
(NZ $)	2.8350	1.6030	0.9000	1.2770
Poland (Zloty)	853.80	482.7820	271.0476	384.5945
Portugal (Escudo)	260.40	147.2434	82.6666	117.2972
Puerto Rico (US $)	1.7685	1	0.5614	0.7966
Qatar (Riyal)	6.4785	3.6632	2.0566	2.9182
Reunion Is. de la (F/Fr)	10.7575	6.0828	3.4150	4.8457
Romania (Leu)	14.781	8.3573	4.6920	6.6576
Rwanda (Fr)	134.2273	75.8989	42.6118	60.4627
St Christopher (E Carr $)	4.81	2.7198	1.5269	2.1666
St Helena (£)	1.00	0.5654	0.3174	0.4504
St Lucia (E Carr $)	4.81	2.7198	1.5269	2.1666
St Pierre (French Fr)	10.7575	6.0828	3.4150	4.8457
St Vincent (E Carr $)	4.81	2.7198	1.5269	2.1666
San Marino (Italian Lira)	2342.00	1324.2861	743.4920	1054.9549
Sao Tome (Dobra)	132.9843	75.1960	42.2172	59.9028
Saudi Arabia (Riyal)	6.6675	3.7701	2.1166	3.0033
Senegal (CFA Fr)	537.88	304.1447	170.7555	242.2882
Seychelles (Rupee)	9.4290	5.3316	2.9933	4.2472
Sierra Leone (Leone)	65.7675	37.1882	20.8785	29.6250
Singapore ($)	3.5458	2.0049	1.1256	1.5972
Solomon Is ($)	3.7680	2.1306	1.1961	1.6972
Somali Rep (Shilling)	434.442	245.6556	137.9180	195.6945
South Africa (Rand)	4.3913c	2.4830	1.3940	1.9780
	7.1075g	4.0189	2.2563	3.2015
Spain (Peseta)	207.25	117.1897	65.7936	93.3558
Spanish Ports in N Africa (Sp Peseta)	207.25	117.1897	65.7936	93.3558
Sri Lanka (Rupee)	58.60	33.1354	18.6031	26.3963
Sudan Rep (£)	8.0123	4.5305	2.5435	3.6091
Surinam (Guilder)	3.1782	1.7971	1.0089	1.4316
Swaziland (Lilangeni)	4.3913	2.4830	1.3940	1.9780
Sweden (Krona)	10.9200	6.1747	3.4666	4.9189
Switzerland (Fr)	2.6550	1.5012	0.8428	1.1959
Syria (£)	37.3905	21.1424	11.8700	16.8425
Taiwan ($)	50.4750	28.5411	16.0238	22.7364
Tanzania (Shilling)	182.50	103.1947	57.9365	82.2072
Thailand (Baht)	45.00	25.4452	14.2857	20.2702
Togo Rep (CFA Fr)	537.88	304.1447	170.7555	242.2882
Tonga Is (Pa Anga)	2.1635	1.2233	0.6868	0.9745
Trinidad/Tobago ($)	7.5671	4.2788	2.4022	3.4086
Tunisia (Dinar)	1.5720	0.8888	0.4990	0.7081
Turkey (Lira)	2981.50	1685.8919	946.5079	1343.0180
Turks & Caicos (US $)	1.7685	1	0.5614	0.7966
Tuvalu (Australian $)	2.1635	1.2233	0.6868	0.9745
Uganda (New Shilling)	269.7933	152.5548	85.6486	121.5285
U A E (Dirham)	6.5288	3.6917	2.0726	2.9409
United Kingdom (£)	1.00	0.5654	0.3174	0.4504
United States (US $)	1.7685	1	0.5614	0.7966
Uruguay (Peso)	731.88	413.8422	232.3428	329.6756
USSR (Rouble)	1.0708	0.6054	0.3399	0.4823
Vanuatu (Vatu)	184.97	104.5914	58.7206	83.3198
Vatican (Lira)	2342.00	1324.2861	743.4920	1054.9549
Venezuela (Bolivar)	25.82e	14.5999	8.1968	11.6306
	13.3538p	7.5509	4.2393	6.0152
	65.1100l	36.8165	20.6698	29.3288
Vietnam (Dong)	655.224	370.4970	208.0076	295.1459
Virgin Is-British (US $)	1.7685	1	0.5614	0.7966
Virgin Is-US (US $)	1.7685	1	0.5614	0.7966
Western Samoa (Tala)	3.9000	2.2052	1.2380	1.7567
Yemen (Rial)	18.20	10.2912	5.7777	8.1981
Yemen PDR (Dinar)	0.6107	0.3453	0.1938	0.2750
Yugoslavia (Dinar)	6717.86	3798.6202	2132.6539	3026.0630
Zaire Rep (Zaire)	361.40	204.3539	114.7301	162.7927
Zambia (Kwacha)	13.80	7.8032	4.3809	6.2162
Zimbabwe ($)	3.3880	1.9157	1.0755	1.5261

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (l) Non commercial rate; (l) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate;
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5.
Monday October 31,1988

TRADE INDEMNITY
CREDIT RISK MANAGEMENT SERVICES 01-739 4311

Which company

...is re-building Reading Station?
...is selling luxury flats in Wimbledon?
...is hiring specialist plant nationwide?
...is working on oil rigs around the world?
...is providing computer personnel in Australia?
...has put the whole of the Electoral Register onto a computer data base?
...has provided share information offices for British Airports Authority, Rolls Royce and British Airways?
...has despatched 75 million pieces of mail in the last year?

It may surprise you to learn that all these activities are carried out by Turriff Corporation. We are listed on the London International Stock Exchange and last year our profit before tax to 31 December 1987 rose 93% while earnings per share were up 45%. Our six month results to 30 June 1988 showed further gains with our profit before tax up 98% and earnings per share up 37% for the half year.

Our foundations are in construction. Today our strength lies in our diversity. We have four divisions managed by specialists – people who know their business.

If you would like further information on Turriff call Peter Taylor on 0926 410400 or complete the coupon below.

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STRENGTH IN DIVERSITY

General Electric Capital in $500m straight issue

By Dominique Jackson

GENERAL Electric Capital pulled off a fairly successful $500m straight Eurobond yesterday. This was partially aided by an overnight rally in the US Treasury market but apparently indicates that the ability of a handful of top US companies to tap the international capital markets has not been unduly affected by recent worries over US corporate credits.

The news that GECC had invited bids for a five-year mandate took some syndicate managers by surprise on Monday as it was the first substantial deal for a US industrial borrower since the proposed leveraged buy-outs of RJR Nabisco and the Kraft/Philip Morris merger severely affected investor perceptions of several similar US corporates.

Goldman Sachs International won the GECC mandate in a fairly tight contest between a handful of bidders, many of whom reportedly offered bids within a three basis point range of the winning bid, which was initially pitched at 41.85 basis points over comparable Treasury issues.

Although the lead manager said it had received a certain number of declines to join the co-management group, the level of acceptance, the obvious strength of the co-lead group and the competition to lead the mandate suggested that few houses were seriously worried by recent credit concerns – particularly with such a prestigious mandate at stake.

The deal received a boost from a rally overnight in the US Treasury market.

According to one syndicate manager who accepted his

INTERNATIONAL BONDS

invitation into the group, it made the difference between a fairly tightly-priced deal – although the initial margin was more or less in line with existing issues – and a reasonably attractive looking deal when it was officially launched early yesterday at a spread of around 46 basis points over Treasuries.

Another pointed out that although some lesser-rated US corporates had been among several bank analysts' sell recommendations recently, GECC, along with IBM, another Eurobond market stalwart, had not been included.

"If anything, investors worried about the LBO implications for smaller US corporates are going to be looking to switch into names like GE and IBM," he added.

The lead manager said demand had been particularly strong from the Far East and Continental Europe.

The deal was bid early on at a level within its fees but later eased somewhat to be bid at a discount equal to its total fees by the end of the day. The lead manager said that, on the offer side, the spread over Treasuries had been maintained at around 44 basis points.

While steady demand continues for new dollar straight paper, dealers agreed that only top corporate credits, sovereign or supra-national borrowers could be assured of a fair reception in the wake of the LBO mania, which has affected the prices of US domestic bonds more seriously than outstanding Eurobond issues.

● British Telecom has filed a registration statement with the Securities and Exchange Commission for the issue of up to $1bn in debt securities. BT officials said there were no immediate plans to issue bonds in the US. The Eurodollar market, in any case, remains cheaper.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
General Elec.Cap.Corp.♦	500	9	101⅞	1993	1⅞/1¼	Goldman Sachs Int.
Nippon Oil Finance♦	100	9½	102	1996	2/1⅞	Bankers Trust Int.
Mory Industries♦	50	(5½)	100	1992	2¼/1½	Nomura Int.
OSG Corp.♦	30	(5½)	100	1992	2¼/1½	New Japan Secs.
CANADIAN DOLLARS						
Commerzbank Overseas♦	100	10¼	101⅛	1992	1⅝/1⅛	Commerzbank
SWISS FRANCS						
Osaka Organic Chem(b)★‡	30	(½)	100	1993	1⅝	J.H.Schroder Bank
Shikishima Baking Co.★‡♦	12	4⅜	100⅛	1993	n/a	Fuji Bank (Schweiz)
Final terms fixed on:						
Daiki Aluminium(a)★‡♦	50	½	100	1993	n/a	Handelsbank NatWest
YEN						
Nippon Oil Finance♦	8bn	7½	110⅜	1992	1⅝/1⅛	Nomura Int.
Nippon Oil Finance(c)‡♦	8bn	-57bp	100.3	1992	30/20bp	Yamaichi Int. (Eur)

★Private placement. ‡With equity warrants. §Convertible. ♦Final terms. a) Put fixed as follows: 31/3/1991 at 108⅛ to yield 3.863%. Indicated put option: b) 31/5/1991 at 109 to yield 3.95%. c) 57bp under Japanese long-term prime rate.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 1

[illegible]

MCA Inc 5½ 02 US	9/87	69.62	84¼	85¼	+0½	19.21
Minolta Camera 2¼ 94DM	2/86	1004.	96¾	97¾	-0¼	23.83
Mitsubishi Bk.1⅛ 02 US	9/87	3157.	118½	120	-0¼	2.99
Mitsui Trust 2¼ 01 US	10/86	1903.	134¼	135¾	-2¼	2.73
Next Plc 5¾ 03 £	11/87	4.3	100¼	101¼	-0¼	142.93
Nippon Shinpan 2¾ 03 US	4/88	804.	105¼	106½	-0¾	7.75
Onoda Cement 2¾ 02 US	4/87	1310.	180¾	182¼	+3¼	-0.37
Primerica 5½ 02 US	4/87	66.75	66¼	67¼	+0¼	53.35
Ranks Hovis 4¾ 03 £	1/88	3.5	116	117	+1	4.82
Redland 7¼ 02 £	1/87	5.4	93¾	94½	-0¼	15.74
Saatchi&Saatchi 6¾ 03 £	10/89	4.41	99¾	100¾	0	23.49
Texas Inst. 2¾ 02 US	9/87	82.87	73½	74½	+0¼	59.29
W.R. Grace 6¼ 02 US	9/87	42.12	84¼	85¼	+0¾	39.82

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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INTERNATIONAL CAPITAL MARKETS

Merrill Lynch treads softly with VRNs

Norma Cohen examines the pros and cons of a novel form of bank variable-rate debt

With modest fanfare, Merrill Lynch has effectively reopened the public credit markets to banks looking to boost capital with variable-rate notes (VRNs).

Issuers, who have raised a total of $1.3bn through the securities, are as pleased as punch. They are paying interest rates comfortably below those paid on private placements earlier this year, the only alternative source of subordinated funds.

The latest user of the new securities is National Westminster Bank, which came to market with $250m of perpetual VRNs – which technically never mature – last week. Merrill said there was so much demand that it quickly increased the offering to $350m.

But are investors' getting their money's worth? In spite of apparent enthusiasm for the new securities, scepticism about their value has been voiced, even by those who say they admire Merrill's skill in pioneering the notes.

VRNs, Merrill's competitors say, are not a terribly innovative structure. They are simply a refinement of existing securities, known as Dutch-auction preferred stock or re-market notes.

Not so says Merrill, explaining that there are certain advantages, not immediately apparent, that make the securities unique.

VRNs work like this. A bank or building society decides it needs subordinated debt, which counts as secondary capital for regulatory purposes. Merrill sounds out investors and finds buyers of subordinated notes, agreeing in advance only on a maximum margin over London interbank offered rates (Libor).

Each quarter, the borrower and Merrill agree on a margin for that period alone, taking into account investor demand and market conditions. If investors holding the notes feel the so-called reset margin is too narrow, the investor has the option to put the notes back to Merrill and is guaranteed to be paid at par.

The one caveat occurs when Merrill and the borrower cannot agree on a suitable margin for a given quarter. In that event, the fall-back rate is paid and investors lose their guarantee of a repurchase at par.

Credit Suisse First Boston, a competitor, argues in a highly critical research report that investors are simply not paid enough to compensate them for the risk that market conditions will deteriorate sharply between reset dates.

The notes are an attractive instrument while market conditions are good, CSFB says. But what happens if, suddenly, investor sentiment turns.

Then the investor is guaranteed only the fall-back margin, which may or may not be satisfactory. But at that point, the investor has lost the one element of liquidity the issue offered – the guarantee that Merrill would repurchase the notes at par. Because there are no other market makers, the investor has no hope of selling to another firm.

Officials at S.G. Warburg, who have offered VRNs for two building societies in the form of senior debt, concede this flaw.

One corporate finance official said: "While we agree the put option is wonderful, the only time you'd want to use it is when the market is bad. And then its not available."

For its part, Merrill says it believes its fall-back margins are sufficiently generous to take into account a sudden change in market sentiment. And even though it won't guarantee to repurchase the notes at par, it will quote a price to investors wishing to sell.

Corporate buying sprees sway cross-border equity activity

By Stephen Fidler, Euromarkets Correspondent

CORPORATE share buying has dominated stock markets not only in the US but in the UK and continental Europe this year and may be deterring institutional investors from committing funds to these markets.

Mr Michael Howell and Ms Angela Cozzini of Salomon Brothers conclude in a study of international equity flows that the recovery in equity prices this year is being driven not by foreign buyers or domestic institutional investors, but by corporate buyers.

"Corporate buying typically focuses on a few stocks, for example, through takeovers and share buy-backs and may therefore have raised the 'event risk' for other investors.

"An institutional investor may be reluctant to commit funds to an equity market driven by corporate buying of a narrow range of stocks for fear of underperforming benchmark indices," they say.

"Even if investors are prepared to invest on a long-term view, event risk could restrict their willingness to trade."

Mr Howell said that since corporate investors were buyers rather than traders this would explain why the markets had been rising while portfolio turnover was low and equity market volume depressed.

In the markets of Europe, foreigners had been important buyers. But they too concentrated on a fairly narrow range of stocks. The buying of strategic holdings by companies, excluding takeovers, has accounted for 60 per cent of supply in Europe this year.

According to a Salomon estimate based on annualised activity to date, corporate buying will account for the purchase of $97.9bn of shares this year in the US.

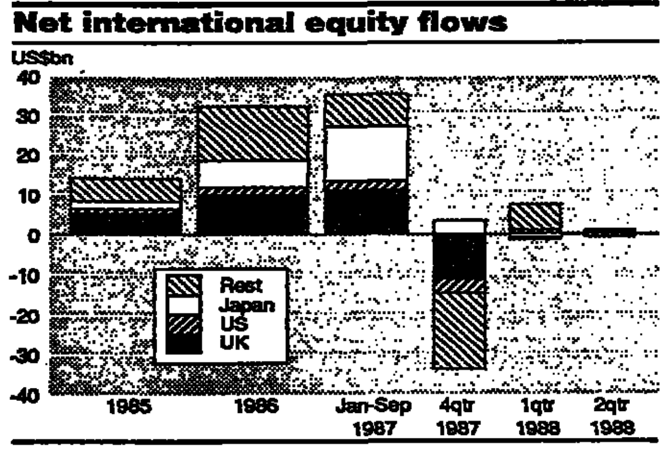
The firm's forecast for the UK suggests companies will be net buyers this year to the tune of $21.3bn, in West Germany $5.4bn, in France $9.3bn, in Spain $4.1bn and in Italy $4bn. In most of these markets, except for Spain, corporate purchases – possibly linked to 1992 – are the largest single positive factor in the market.

The research also concludes that "international investing is gradually recovering from the sharp outflow that followed the 1987 share price collapse."

Cross-border investment of $5.1bn in the first quarter followed a huge $30.8bn reversal of international equity investment in the fourth quarter last year. In the second quarter of 1988, net investment was $190m – although allowing for some investors substituting Japanese equity warrants for underlying stocks and the shorting of Japanese equities, the true figure probably was between $1bn and $2bn.

Early indications for the third quarter suggest net cross-border demand of between $5bn and $10bn, with strong inflows into European markets continuing

Net international equity flows



NZ Telecom bond issue

TELECOM Corporation of New Zealand plans to raise at least NZ$100m (US$62.9m) through its first domestic bond issue, Reuter reports.

Telecom said the issue would contain a provision for over-subscription of up to NZ$400m.

The bonds are to be offered on maturities of between two and 10 years.

Interest rates will vary from 12.70 per cent to 13.80 per cent. Rates are negotiable for investments over NZ$200,000, with the minimum investment set at NZ$2,000.

Telebonds will be registered on the New Zealand stock exchange. The issue will remain open until the end of the year.

Moody's reviews Eksportfinans rating

By Karen Fossli in Oslo

EKSPORTFINANS, the export financing and credit institution of the Norwegian commercial banks, has had its AA1 long-term debt credit rating placed under review by Moody's, the New York-based credit agency.

Moody's said this was because of the "ongoing stress within the Norwegian banking sector which has provided an increasing share of Eksportfinans' loan guarantees." The institution's loan portfolio is partly guaranteed by the Norwegian Government and partly by Norwegian banks and foreign guarantors.

However, in recent years there has been a shift in the percentage of guarantees provided by the Norwegian Government as opposed to banks.

Norwegian banks have suffered record loan and operating losses both this year and last.

Japanese banks face probe into accounting

By Stefan Wagstyl in Tokyo

THE JAPANESE Ministry of Finance is investigating allegations that commercial banks have been "window-dressing" their financial results by manipulating securities investments.

Under MoF rules, bank securities holdings are divided into two categories – long-term investment and dealing accounts. Profits and losses from dealing account transactions, chiefly involving bonds, are supposed to be included in banks' operating results.

Fluctuations in investment accounts do not have to be realised in a given accounting period.

However, there are allegations that some banks have been moving profits made on the investment holdings into the dealing account, and switching losses in the opposite direction in order to boost the overall operating result.

Japan's commercial banks are under pressure to maximise operating profits to improve capital resources ahead of new international capital adequacy guidelines which come into effect in 1992.

The MoF said yesterday it was reviewing the results of banks for the half year which ended in September, in line with regular practice.

Bank in second Ecu offering

By Stephen Fidler

THE Bank of England said yesterday it would sell Ecu750m of Treasury bills at its auction next Tuesday, the second monthly sale of the paper denominated in European currency units.

The Bank will offer Ecu300m of one-month paper, Ecu250m of three-month and Ecu200m of six-month paper. At the initial auction, Ecu900m of bills were offered.

When it first announced the auction, Bank officials said they envisaged Ecu1bn-2bn would be outstanding. It is apparent from the early success of the sales that the figure will be close to the upper end of that range.

Lawson's statement disappoints gilts

By Norma Cohen in London and Anatole Kaletsky in New York

UK GOVERNMENT bond prices sagged in the aftermath of the Autumn Statement by Mr Nigel Lawson, the UK Chancellor, in spite of a forecast of even lower than expected government spending this year.

The Chancellor's forecast that public spending will be about £3.25bn below expectation implies the Bank of England will have to step up its purchases of gilts in order to maintain the government's full funding policy. This news immediately led to prices edging up among dealers who continued trading while the Chancellor's speech was in progress.

GOVERNMENT BONDS

But the remainder of the speech was mostly negative.

By the close of trading, prices were ¼ to ½ point below the day's best levels, with the greatest sell-off coming just minutes after the Chancellor ended his speech.

A forecast that gross domestic product growth will fall to 3 per cent in 1989, from 4.5 per cent this year, implies that monetary conditions will remain tight. This in turn suggests there is little reason to feel that long-term interest rates have much immediate room to fall further. Longer-dated issues, such as the 9 per cent Treasury due 2008 are already yielding below 9 per cent.

The markets had clearly been hoping for more encouraging news from the Chancellor and dealers reported that many had been awaiting the speech with stock on their books. The one sector that managed to hold on to some of the day's earlier gains was the index-linked sector.

A STEADY dollar and broadly favourable economic indicators allowed the US bond market to hold on to most of the big gains it scored on Monday. Bond prices opened yesterday's morning session a little easier, in what analysts described as a technical reaction to Monday's ⅞ point advance.

However, the profit-taking proved fairly light as investors took comfort from an 0.1 per cent decline in leading economic indicators and another round of reserve injections from the Fed Reserve.

By lunchtime the Treasury's benchmark long bond was down only ⅛ at 103⅞, a price at which it yielded 8.759 per cent. The Fed funds rate spent the morning at 8⅛. The Fed suggested its resistance to a higher funds rate with the announcement of overnight system repurchase agreements.

This form of reserve injection was more aggressive than expected by some analysts, who had predicted customer repos instead.

The 0.1 per cent decline in leading indicators was somewhat below consensus expectation, which had been for an 0.1 per cent rise. However, the margin of difference was insignificant.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	110-25	-2/32	10.07	10.12	10.19
		8.750	9/97	95-07	-3/32	9.56	9.65	9.84
		9.000	10/08	100-13	-3/32	8.95	9.05	9.13
US TREASURY*		9.250	8/98	103-23	-8/32	8.67	8.82	8.92
		9.125	5/18	103-24	-9/32	8.77	8.94	9.03
JAPAN	No 105	5.000	12/97	102.2453	+0.085	4.65	4.82	5.01
	No 2	5.700	3/07	107.7384	-0.209	4.90	4.97	5.21
GERMANY		6.500	5/98	101.5500	+0.025	6.30	6.38	6.56
FRANCE	BTAN	9.000	7/93	102.2626	-0.002	8.37	8.56	8.51
	OAT	8.500	6/97	100.0000	-	8.48	8.65	8.73
CANADA*		9.500	10/98	98.2500	-0.550	9.78	9.80	9.98
NETHERLANDS		6.500	7/98	101.9250	+0.150	6.27	6.28	6.49
AUSTRALIA		12.500	1/98	103.1949	-0.029	11.90	11.96	11.91

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	63	25
Corporations, Dominion and Foreign Bonds	11	3	37
Industrials	424	303	862
Financial and Properties	197	66	406
Oils	32	19	54
Plantations	3	2	8
Mines	36	32	121
Others	94	54	111
Totals	820	542	1,624

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Oct 24
● Last Dealings Nov 4
● Last Declarations Jan 26
● For settlement Feb 6

For rate indications see end of London Share Service

Lloyds Chem, Weasley, Hughes FoodVirat, TV-AM, Brit. Gas, Williams Hldgs, Pentland, Hanson, Mt Charlotte, Macklow, WA Hldgs, Sunrise, Firstland Oil & Gas, Stand Chart, Wimpey G, Traff Park. Puts in Guinness Mahon, Falkland Oil & Gas, Carless Beach. A & M Group, Chloride, Mowat,

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*478)	460	42	55	66	19	27	37
	500	21	36	47	42	48	58

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Plessey (*174)	140	36	39	43	1	2	3
	160	16	21	27	2	6	8
	180	4	11	15	10	16	19

[illegible]

November 1 Total Contracts 27,266 Calls 17,200 Puts 10,066
FT-SE Index Calls 2092 Puts 2977
*Underlying security price.

Disposal of Eagerpath to Geneva-based group nets £25m

Mountleigh cuts debt by latest sale

By Paul Cheeseright, Property Correspondent

MOUNTLEIGH, the property trading and development group which this year has fallen from grace in the stock market, yesterday made a further sale which leaves it with a net profit of £25m and further reduces its debt.

This is the third significant step taken to restructure the group originally built up by Mr Tony Clegg. Since Mr John Duggan became chief executive last month there have been a series of transactions designed to reduce gearing and start the transformation of Mountleigh from a group involved primarily in trading to an investment and development concern.

Mr Duggan said that the latest deal would clear up all of Mountleigh's off-balance sheet debt. The group could now set off on a new path.

The transaction involves the sale of Eagerpath, a subsidiary, to SASEA Industrial Holdings, part of the Geneva-based SASEA Holding Group, for £35.76m. This is SASEA's first major UK property venture.

Eagerpath contains a batch of properties, including a City of London office block, a development at Richmond, Surrey, substantial tracts of agricultural land and the Antibes yacht harbour in France.

During last year and earlier this year Mr Clegg built up a substantial portfolio of agricultural holdings in the UK. The other main UK properties were acquired in 1987 when Mountleigh bought the Pension Fund Property Unit Trust for £271m.

The total value of the properties bought by SASEA is worth £155m, but SASEA has also taken on £60m of non-recourse debt held by Eagerpath and is paying off inter-company debt of a further £60m.

On the basis of rounded figures this gives a transaction price of £35.76m. But Eagerpath was in the Mountleigh books at £11m, so the net gain to Mountleigh is about £25m.

Earlier sales of property portfolios by Mountleigh, notably Stockley Park, the business park near Heathrow Airport, and a collection of City properties, including Paternoster Square, had reduced gearing, including both on and off-balance sheet debt, to 40 per cent. The latest sales brings gearing back to about 30 per cent.

The sale announcement surprised the market, which on Monday had been perplexed by the possibility that Mountleigh might acquire Wembley, the sports stadium operator. Yesterday the shares were 4p higher at 163p, but the news of the SASEA deal came too late to make much difference to the price.

The market has also been watching Mountleigh's moves in Spain. The Madrid press has been full of speculation that the group is about to sell Galerias Preciados, the department store chain, but every new twist to the speculation has brought a denial from Mountleigh that any sale is in prospect.

The final unwinding of the Pension Fund Property Unit Trust portfolio and the sale of recently acquired agricultural land, coming on top of the earlier sales, indicates that Mr Duggan is tightening his grip on the group and that Mr Clegg, since his recent illness, has taken a back seat despite his continuing role as chairman.

When Mr Duggan took over as chief executive he made clear that one of his main priorities was to reduce gearing. After that he would seek to devise a longer term strategy.

Geevor paying £5m for coal mine

By Maurice Samuelson

GEEVOR, operator of the Cornish tin mine which resumed operations in February, is to acquire Mainband Colliery in Cumbria, which it describes as "potentially the largest private underground mine in the UK."

The consideration of £5m will be satisfied by the issue of shares.

The mine, between Whitehaven and St. Bees, has 4.9m tonnes of recoverable high grade coal worth about £196m. Over the next two years, Geever intends to invest some £3.2m in driving two drift shafts.

The mine would start producting coal next summer, building up to 100,000 tonnes a year by 1992 and with the option of rising to 150,000 tonnes a year by 1996 without *further significant expenditure.*

That would be about ten times more than in many small British mines which typically have reserves of about 500,000 tonnes.

Mr Eric Grayson, Geevor chairman, claimed that recoverable reserves were sufficient to give the mine a life of more than 30 years.

Production from two 10ft thick seams at Mainband would be mechanised and provide jobs for 30 men, the maximum which can be legally employed below ground.

Geevor's other UK coal mine, in Lancashire, has reserves of 300,000 tonnes. Its thin seams are worked by 16 men with pick and shovel.

Pittard attacks valuation and high gearing of £40m offer

By Nikki Tait

PITTARD GARNAR leather group yesterday launched a strong attack on the £40m bid from rival Strong & Fisher, claiming that current trading is transformed and that the offer substantially undervalues the group.

It also maintains that Strong & Fisher is overstretching itself with the offer – which would result in gearing of over 150 per cent for the merged group – and raises questionmarks over the bidder's own recent profit figures. The document, however, was dismissed by Strong as "an anti-climax" with no new information.

Pittard announced a £2.54m loss before tax in the first half to July 1, which it concedes was "a grave disappointment". However, Pittard claims that virtually all the losses were caused by the reduction in prices for sheepskins and pickled grains, which fell by 30 and 45 per cent respectively between March and June, while currency movements squeezed margins.

It says that since then the gloving division's margins have been restored; that clothing/chamois interests are experiencing better volumes and demand and trading from "a realistic cost base"; that the shoe division is "recovering"; and that the trading division is once again operating profitably.

The document does not provide any profit forecast. Yesterday, Pittard said this would only be published "if necessary" – pointing out that the question of a monopolies referral is still undecided.

The degree of gearing envisaged by Strong is attacked on the grounds that "a business involving such a high material element (commonly between 50 and 60 per cent of manufacturing cost) and vulnerable to downturns in demand should not expose itself to such high levels of debt".

With regard to Strong's figures – which showed pre-tax profits up from £6.06m to £7.8m in the year to June 24 – Pittard claims that the true picture is that of virtually static performance. It points out that earnings per share growth was lower at 15.9 per cent and that this was largely due to a drop in the effective tax rate from 31 per cent to 23 per cent. It adds that the figures benefited to an unquantified extent from "sales generated by the clearance of stocks acquired in the Gmoshall Tanneires business, which will not repeat next year."

Strong accounting questioned

"Strong & Fisher's shareholders should question to what extent the 1987/8 results depended on substantial undisclosed provisions made, particularly in connection with Gomshall", claims Pittard's defence document.

"We estimate that those provisions amounted to some £8.5m and it is not clear to what they were used to enhance profitability in the year end June 30, 1988".

The allegation, quite relevant in the context of the size of companies, follows a study by Robson Rhodes, the accountancy firm which audits Pittard, of Strong's recently-published accounts for last year.

During the period, Strong acquired the Gomshall group, which comprised the leather interests of the Vestey family's privately-owned Union International company. With Gomshall, Strong acquired a 50 per cent stake, which was later raised to 82 per cent, in New Zealand Light Leather, a New Zealand-quoted company.

The accountants have noted that at their *latest* balance sheet dates, prior to acquisition, the companies acquired had aggregate fixed assets of £3.2m, but that had increased to £11.3m in the Strong accounts. The rise was easily explicable, as previous valuations were not up-to-date.

However, Robson Rhodes point out that, based on Strong's listing particulars, that overall net assets of Gomshall (excluding goodwill) have fallen from £21.6m at the time of acquisition to £20.8m in the accounts. This, they say, suggests a £8.6m provision. It is the size of this difference which surprises the accountants and prompts their questions.

Yesterday, Strong countered by claiming that comparison was not possible. It said that the net asset value at acquisition implied by the listing particulars was a "contract net asset value", not compiled on normal accounting principles but a matter of negotiation between itself and Union.

It also stated firmly that skins acquired with Gomshall were brought in at fair value. It conceded that there had been some additional profit from the sale of this stock, but maintained that margins achieved were lower than on Strong's regular business.

Wm Low plans further English growth

By Andrew Hill

WM LOW & Company, supermarket group based in Scotland, increased taxable profits by about 42 per cent to £11.5m in the year to September 3, compared with £8.12m in 1986-87.

Earnings per share rose 18 per cent to 53.76p (45.46p) and the company proposed a final dividend of 11.5p, making 17p (15p) for the year.

Mr James Millar, managing director, said yesterday that Low was now ready to extend its English operations south of the River Humber: "We keep looking for space across our total bailiwick, but I think in the longer term the shift of development is going to be more in England than Scotland."

Turnover rose 7.2 per cent to £265m (£247m), an increase of 14.1 per cent after allowing for store closures and the sale of the Lowfreeze freezer centres in May 1987.

Interest charges fell from £1.24m to £751,000, following a £31.6m placing of convertible preference shares in February which reduced gearing from 65 per cent at the end of 1986-87, to about 3 per cent at September 3.

About £19.4m was spent during 1987-88 adding 120,000 sq. ft. of retail space, through six new openings and one store extension, while eight stores were closed at a cost of between £150,000 and £200,000.

Mr Millar said the closure programme was now complete, although Low would still dispose of individual supermarkets, probably in less lucrative high street sites, if necessary. About 70 per cent of profits now came from stores of 10,000 sq. ft. or more, whereas five years ago 82 per cent came from supermarkets smaller than 10,000 sq. ft, he added.

Low now operates from 62 stores, 11 of which are in England. The group said the bulk of this year's planned capital expenditure of £18m would be used to add a further 100,000 sq. ft. to the 700,000 sq. ft. already occupied.

● COMMENT

Wm Low supermarkets – average size 14,500 sq. ft., compared with 9,500 in 1983 – still look like minnows compared with the multi-checkout leviathans operated by the major food retailers. This reflects Low's sensible policy of concentrating on medium-sized retail spaces, ideally suited to some of the provincial Scottish towns where the group has built its power base. Not that Low is shy of megastores – it has just opened 32,000 sq. ft. in Perth, its biggest store to date. New stores are always slow to increase sales per square foot and Mr Millar admits that £18m of annual capital expenditure cannot be funded from cash flow at the moment, but benefits of the last few years' heavy investment programme are beginning to filter through. In a sector excited by Iceland Frozen Foods' bid for Bejam last week Low's shares have risen to their highest point since last October's crash and yesterday they put on another 2p to close at 674p. On forecast pre-tax profits of £14.5m for 1988-89 – a prospective multiple of about 12 – they look fairly valued.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Assoc Brit Inds♣ ....fin	4.25	Jan 10	3.5	7.75	6.5
BDA Holdings ....int	1.5	Dec 15	1	–	2.5
Bradford Prop ....int	6.5	-	5.5	-	12.5
Drayton Consld ....fin	9.9	Dec 22	9	13.2	12
Global Group § ....fin	0.5	Dec 23	1.75	1.75†	3
Hunting Group ....int	2.2	Dec 20	2	-	6
Prowting ....int	1.7	Dec 12	-	-	-
Govett High Inc ....int	1.5	–	1.5	–	6
Ldn Atlantic Inv ....int	2.3	Dec 9	2.1	-	7.85
Rechem ....int	2.5	-	-	-	-
Select Appts § ....int	1.2†	Jan 13	1	-	2.5
S & P Linked ....int	20.6	–	14.41	–	-
Warner Howard ....int	1.3‡	Jan 9	0.93	-	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ΦThird market. ‡Increased partly to reduce disparity. ♣Over-the-counter stock.

Obtaining a winning hand at monopoly

Nikki Tait looks at the problems posed by plea-bargaining

AMID THE furore over the speech by Lord Young, Secretary of State for Trade and Industry, on mergers policy generally last week, one specific issue – plea-bargaining – was somewhat overlooked.

It is, nevertheless, a matter of some practical concern to both companies involved in bid activity and to bid advisers – and one on which Lord Young himself, when answering questions, reiterated that changes were afoot.

"Plea-bargaining" is essentially the practice whereby a bidder offers to dispose of certain subsidiary interests – either its own or its target's – to avoid monopoly problems. A number of companies - such as Guinness over Distillers or Imperial Group in its efforts to secure the preferred bid from United Biscuits – have made such offers either at the outset, while bids were under consideration by the Office of Fair Trading or even in the face of a referral. Under the current mergers system it is the job of the OFT to make an initial recommendation to Lord Young on whether or not the deal raises monopoly questions.

The problems, however, come in the implementation of promises given. One recent case in particular – that of the £36m offer by MAI, the financial services company, for London and Continental Advertising – raised thorny practical issues.

The takeover, which brought together Britain's two largest roadside poster contractors, won the blessing of the Office of Fair Trading after MAI outlined plans to sell some of the combined group's poster sites to two other contractors. The OFT's advice was duly heeded by the Secretary of State and the deal was not referred to the Monopolies and Merger Commission.

Six months after the takeover, however, the OFT advised that the disposals had not taken place in the precise way promised by MAI. Again, Lord Young took the advice and this time the MMC was required to investigate. Another four months on, the MMC report appeared – requiring a sale by the merged group of another 2,000 poster sites. All in all, the takeover became an 18-month saga.

Since then, plea-bargaining appears to have become a somewhat difficult area, with the OFT reportedly taking a careful look at any proposed disposal plans. That said, the practice has has not stopped – for example, Tarmac, the building group which is currently making a recommended offer for Ruberoid, has promised to sell two roofing felt subsidiaries if its offer is cleared. The DTI's decision on the bid is still awaited.

The authorities' basic difficulty is simple. At present, the mechanism for ensuring that companies do not stray from their undertakings involves calling in the MMC retrospectively – a time-consuming process.

What the Government envisages – and which Lord Young re-emphasised when answering questions last week – is a system which gives the Secretary of State the power to require the divestment of some or all of the assets acquired. The companies would then be required to give legally binding undertakings to make the divestments within a specified time period – assuming it is not feasible to sell the subsidiaries in advance – before the transaction gets clearance. In the event of abuse, the MMC need not be called in.

Quite how quickly the legislation to introduce these new powers could come into effect is less clear. One thought *seems to be that that it could* become part of legislation introduced in the current parliamentary session. If so, bidders might see a welcome improvement in flexibility.

Invergordon buy-out

The management team seeking to buy-out Invergordon Distillers, whisky group, said acceptances of its offer in respect of 14.87m shares (64.65 per cent) held by Hawker Siddeley Group and Hawker Siddeley management were now irrevocable.DMWS 99, the company formed for the buy-out, has received irrevocable undertakings or indications of acceptance in respect of a total of 17.25m Invergordon shares (75.02 per cent). The offer will remain open until November 30.

Rechem doubled

Rechem Environmental Services, which obtained a listing in May, announced doubled pre-tax profits of £3.61m against £1.83m for the six months to September 30.

Turnover was 55 per cent ahead at £9.03m (£5.81m). An interim dividend of 2.5p is declared. Earnings per 2p share came out at 8.6p (4.6p).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglo Leasing, Coloroll Group, Gieves Group, Marks & Spencer.
Finals- Church (C.) Devs., Fenner (J.H.) Hldgs. , Keystone Inv., Pegasus, UDO Hldgs.

FUTURE DATES

Interims-

Aberfoyle Hldgs.	Nov. 11
Assoc. British Foods	Nov. 7
BOC Group	Nov. 14
BPB Inds.	Nov. 30
British Inv. Trust	Nov. 10
Cable & Wireless	Nov. 16
Erostein Group	Nov. 10
Fashion & Gen. Inv.	Nov. 9
German Smaller Co's Inv.	Nov. 22
Newmarket Venture	Nov. 8
Powell Duffryn	Nov. 22
Regalian Props.	Nov. 16
Sainsbury (J.)	Nov. 8
Somic	Nov. 11
Finals-	
Futura Hldgs.	Nov. 9
German Secs. Inv. Trust	Nov. 7
Hatfield Estates	Nov. 15
Nthn. American Trust	Nov. 29

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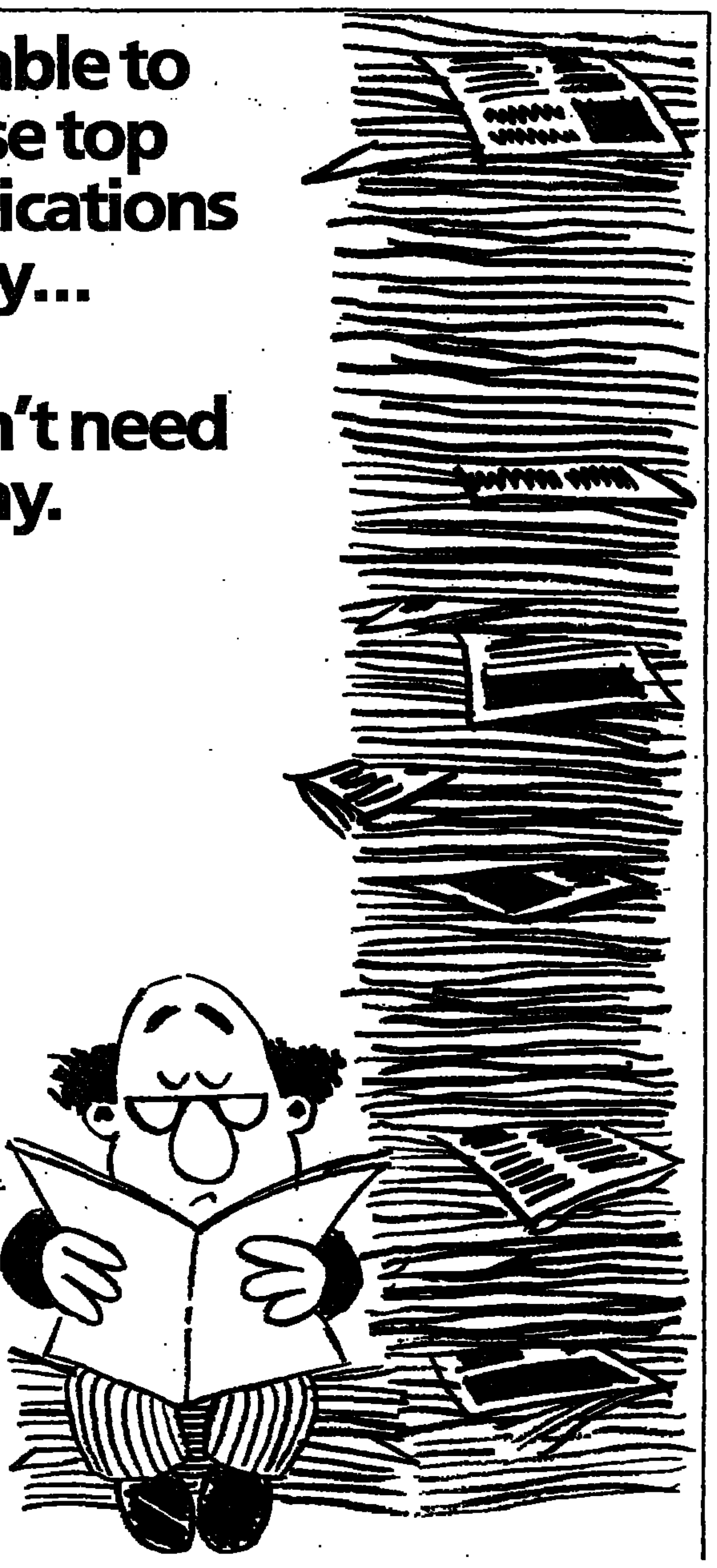

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UK COMPANY NEWS

Separate FT listing for IoM Auth. funds

REGULATORY changes affecting the Isle of Man have led to a new presentation for the listings of Manx investment funds in the FT Unit Trust Information Service, effective today.

Almost all Isle of Man funds are now supplying information on the same basis as UK authorised unit trusts, including the initial charge and the cancellation price, and the UK-type format has therefore been adopted for these funds. Previously listed in the Offshore and Overseas section under two headings, UK Listed and Other Offshore Funds, there is now a separate category for IoM Authorised funds.

However, it will be two months or so before the Manx funds will be able to benefit fully from last week's granting of designated territory status for the purposes of the UK's Financial Services Act 1986. At that stage UK mainland marketing restrictions will be lifted for Manx funds approved by the Securities and Investments Board in London, and it will be possible, for instance, for the FT to resume printing their managers' addresses and telephone numbers.

Prowting jumps 69% to £10.7m at six months

By Philip Coggan

PROWTING, the Ruislip-based residential housebuilder, yesterday announced a 69 per cent increase in interim pre-tax profits to £10.7m, just six months after the group joined the market in a successful offer-for-sale.

The improvement in profits, from last year's £6.3m, came on turnover 39 per cent higher at £43.8m (£31.2m). Although Mr Terry Roydon, Prowting's managing director, said demand was now "sluggish", he added that "if we didn't sell another house, we would be able to produce extremely satisfactory figures this year".

In the first half, Prowting completed around 400 units, compared with 728 in the whole of last year. The average selling price in the first half was £96,000, compared with £79,000 during the last full year.

Mr Roydon said he did not expect house prices to increase by more than the rate of inflation next year. However, he did not expect that to present any problem to the group, which has a land bank equivalent to

Terry Roydon: land bank equivalent to six years' output

around six years' output.

Following the flotation, which was twenty times subscribed, the group has cash in hand of over £5m. It also owns 97 acres of development land in Swindon, which it expects to be a source of considerable profits in two to three years' time.

After tax of £3.74m (£2.05m), earnings per share were 11.7p (8.2p). The interim dividend is 1.7p.

● COMMENT

The housebuilding sector is distinctly out of favour with the market at the moment and Prowting is no exception. Assuming it makes pre-tax profits of £21.5m this year, the shares are on a prospective p/e of around 8. The problem for Prowting is that it is based in the south and thus perceived as vulnerable to the slowdown in the property boom. In fact, Prowting is in an extraordinarily strong position - with a land bank equivalent to six years output, which was acquired on average four to five years ago. This should cushion it against virtually any downturn in the property market, short of Berkshire sliding into the sea. Nor is Prowting heavily geared - it also has around £5m in cash. This could be the time for long term investors to buy the shares but in the short term, they are unlikely to advance significantly until sentiment towards the sector changes.

TR holders show little interest in C&W terms

By Philip Coggan

CABLE & WIRELESS, the international telecommunications group, yesterday extended for four weeks its £284m bid for Telephone Rentals, telecommunications equipment distributor, and announced acceptances of 0.42 per cent at the first closing date.

The acceptance level was dismissed as "derisory" by Telephone Rentals. Mr Gus Moore, its managing director, said: "Our shareholders have shown an almost complete lack of interest in this inadequate offer.

Cable and Wireless has consistently failed to understand or appreciate the balanced business and strong future of Telephone Rentals."

TR's shares fell 10p to 338p, but remained well above C&W's 305p per share cash offer. The market is expecting a higher bid from C&W, although some analysts think it may only be prepared to pay a further 10p-15p a share.

Other analysts think that C&W may be waiting for TR's profits forecast for the year until it increases its offer, probably to about 340p per share.

In addition to the acceptances, C&W owns 2.1 per cent of the TR equity.

Mr Gordon Owen, deputy chief executive of C&W, said yesterday that "Telephone Rentals record is unexciting and its prospects as an independent company are questionable."

BDA rises 57% to £0.72m

EXTREMELY STRONG demand helped BDA Holdings, London housebuilder and property developer, report interim taxable profits ahead by 57 per cent at £719,000, against £459,000.

However Mr Brian Duker, chairman, warned that the hardening residential market in the present half would require extra effort and costs to achieve the expected number of sales.

Turnover for the six months to the end of July 1988 increased almost 2½ times from £1.89m to £4.17m. After tax of £253,000 (£162,000) earnings per 10p share came out at 5.1p (3.3p). The interim dividend has been increased from 1p to 1.5p.

Mr Duker said that during the first half sales had been completed on 94 per cent of the finished property. At the end of the period the company was in a strong liquid position following recently-negotiated loan facilities and a decision to defer buying land at what Mr Duker described as highly inflated prices.

Detailed planning permission had been obtained on all land bank sites and new sites were being sought.

The professional services side suffered from not being able to recruit suitably qualified staff, leaving turnover little changed.

After the end of the six months the company moved into a new area by setting up a joint venture with the Corporation of Trinity House to design and project manage the refurbishment of a listed Grade II property in Trinity House Square, London SE1.

Medirace to buy diagnostic products maker

By Clare Pearson

Medirace, the Third Market company set up to fund research into the treatment of cancer and Aids, plans to become involved in manufacturing diagnostic products through the acquisition of Cambridge Life Sciences.

Yesterday Medirace announced that it had acquired 20.8 per cent of CLS's issued share capital through a placement of new ordinary shares.

Mr Ian Gowrie-Smith, chief executive, said the balance was likely to be acquired within the next two weeks.

It is believed that CLS, a private company with some 250 shareholders, has been unable on its own to raise the finance needed to bring into production a product which uses its bio-sensor technology.

The company, which 2½ years ago issued shares at £5 each, is issuing the Medirace tranche at 10p each.

Medirace says CLS's proprietary bio-sensor technology represents a major advance in clinical measurement for blood glucose. The first product launch is planned for next year.

On Medirace's own activities, Mr Gowrie-Smith said trials of its compound Contracan were "progressing satisfactorily." The compound is intended to correct abnormalities in cell membranes found in patients with malignancies and also in cases of infection by the Aids virus.

Related companies help Hunting to £4m halfway

A RETURN to trading profits and an increased contribution from related companies enabled the Hunting Group to lift its half year profit from £2.83m to £4.1m.

In the six months to June 30 turnover rose to £4.42m (£3.54m) and generated a trading profit of £82,000 (loss £271,000).

Related companies returned £4.04m (£3.1m). The group has a 28.41 per cent interest in Hunting Associated Industries, 34.95 per cent of Hunting Petroleum Services and 20.44 per cent of New England Properties.

Each showed progress in the period and expected to produce better results for the full year year.

Group attributable profit worked through at £2.28m (£1.25m) and earnings were 10.5p (5.8p). The interim dividend is stepped up to 2.2p (2p). In 1987 there was also an extraordinary credit of £3.55m.

Drayton Consld asset fall

DRAYTON Consolidated Trust reported net asset value down to 600p at the end of September 1988, against 713.75p a year earlier.

The company said figures had been calculated on the increased ordinary capital which would exist if the remaining 6¾ per cent convertible unsecured loan stocks were wholly converted on the next conversion date.

With gross income at £7.66m (£6.73m), after-tax revenue for the year increased from £4.19m to £4.51m. Earnings per 25p share were 13.03p (12.16p). The final dividend is 9.9p for a total of 13.2p (12p).

Lon Atlantic

Over the six months ended September 30 1988, London Atlantic Investment Trust saw its net asset value improve from 318.6p to 336p. One year earlier, prior to the market crash, the value was 454.1p.

Earnings for the 1988 half year improved from 3.91p to 4.29p, and the interim dividend is raised to 2.3p (2.1p).

Total revenue was £943,000 (£795,000).

Bradford Property

A substantial increase in profit from sales of dealing properties has enabled Bradford Property Trust to produce a pre-tax profit of £12.55m in the half year ended October 5 1988, against £8.34m.

Rental income rose to £4.74m (£4.22m), and sales by dealing companies surged to £15.18m (£8.75m) on which the profit was £8.52m (£5.32m). The interim dividend is stepped up 1p to 6.5p.

Warner Howard rises 29%

Growth has continued at Warner Howard Group, supplier of commercial laundry systems and warm air hand dryers. In the half year ended August 31 1988 turnover rose 14 per cent to £7.2m while pre-tax profit advanced 29 per cent to £2.1m.

Following that good start the second half was looked to with confidence, said Mr Ronald Hooker, the chairman.

Organic growth had continued at a high rate with the emphasis placed on new rental business.

That, coupled with high levels of rental renewals, led to improved margins.

Mr Hooker said the recently launched range of warm air hand dryers for specialist application proved popular, while the range of commercial laundry equipment launched in 1987 also proved successful.

Earnings came to 5.8p (4.58p), and the interim dividend is raised to 1.3p (0.93p) partly to reduce disparity with the final - 2.07p last time.

COMPANY NEWS IN BRIEF

BLAGDEN INDUSTRIES has sold its redundant site at Billericay to Countryside Properties for £6m giving a net profit of £3.5m.

CARLTON COMMUNICATIONS £364m rights issue to finance the acquisition of Technicolor taken up in respect of 64.17m shares (97.95 per cent). The 1.34m balance sold at 630p each.

CLYDE PETROLEUM: acceptances have been received in respect of 120.21m new ordinary (about 97 per cent of the rights issue). The balance has been sold in the market.

D Y DAVIES proposes to amend acquisition terms for Jackson Greenen Down so any maximum deferred consideration is raised from £282,500 to £700,000.

DEAN & BOWES said shareholders applied for 953,063 shares (77.8 per cent) in the recent open offer. With directors' undertakings, total applications were for 1,123,063.

GARTON ENGINEERING proposes to pay £1.15m cash for H. Goodwin, maker of malleable, spheroidal graphite and grey iron castings from foundry in Walsall. In year ended March 31 1988 its turnover was £1.68m and pre-tax profit £475,000.

GC FLOORING and Furnishings business recovered strongly in the first eight weeks and work in progress in opening quarter was some 60 per cent ahead, chairman told agm. He was confident the year would see a return to more healthy levels of profitability. Acquisition of Semtex proving very successful.

GOVETT HIGH Income Gilt Fund declared a first interim dividend unchanged at 1.5.

LIFECARE INTERNATIONAL: Offer by Tamaris has been accepted by holders of 20.65m (90.49 per cent) of the ordinary shares and 1.03m (93.91 per cent) of the 6¼% convertible cumulative redeemable preference shares. Tamaris intends to acquire the outstanding holdings and the offers remain open until November 18.

LONDON INTERNATIONAL is proposing early redemption of 8 per cent and 10¼ per cent unsecured loan stocks 1990/95 to reduce disproportionate administrative costs. The 8 per cent will be at par and the 10¼ per cent at £105, plus interest.

NOMAD PROPERTIES, an assured tenancy BES scheme, is ready to exchange contracts on its first property purchase. It is close to the coast in North Shields and will be converted into 22 single bedroom flats at an estimated acquisition and conversion cost of £500,000.

PARKWAY GROUP is paying up to a maximum £500,000 for Graphic Store, a supplier of graphic design materials to advertising agencies and design studios. Initial consideration is £350,000 satisfied by £233,337 in cash and the issue of 47,899 new ordinary shares. Additional payments over the next three years based on future profitability.

PHOENIX TIMBER GROUP has exchanged contracts to acquire PAL Electronic Systems from PAL International. The consideration of about £270,000 is to be satisfied by the issue of 244,000 ordinary shares and a cash payment not exceeding £20,000. PAL Electronic makes a range of electronic and ultrasonic devices for bird and rodent control

POLYPIPE: Annual meeting was told that the first quarter had started well and new products had been well received by the market. High level of activity in the core businesses had continued and increasing contributions were expected from the strategic acquisitions. Chairman was confident of another good result for the year with continued expansion in the UK and abroad.

SAVE AND PROSPER Linked Investment Trust increased first interim dividend of 20.6p (14.41p). Increase due to exceptionally high distribution from Scotyields and as a result second interim may be less than last years.

This announcement appears as a matter of record only

CARLTON
Communications Plc

Acquisition of

Technicolor.

for $780 million

Hambros Bank Limited acted as financial adviser
to Carlton Communications Plc
and principal underwriter of the financing

HAMBROS BANK LIMITED
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October 1988

CHANNEL ISLANDS

The Financial Times proposes to publish a Survey on the above on

Thursday, 15th December 1988

For a full editorial synopsis and advertisement details, please contact:

BRIAN HERON

on 061 834 9381 (telex 666813)
(fax 061 832 9248)
or write to him at:

Financial Times, Alexandra Buildings
Queen Street, Manchester M2 5HT

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

SWANSEA BAY

The Financial Times proposes to publish a Survey on the above on

28th November 1988

For a full editorial synopsis and advertisement details, please contact:

Clive Radford

Bristol (0272) 292565
Fax (0272) 225974
or write to him at:

Merchants House, Wapping Road
Bristol BS1 4RW.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

WM LOW

WM LOW & COMPANY PLC
Summary of results for the 52 weeks ended 3 September 1988

	1988 £000	1987 £000	Increase
Turnover	265,190	247,276	7%
Profit before Tax	11,547	8,120	42%
Earnings per share	56.20p	45.71p	23%
Dividends per share	17.0p	15.0p	13%

Full accounts for the period to 3 September 1988 on which the auditors have given an unqualified report will be delivered to the Registrar of Companies in due course.

Copies of the Annual Report and Accounts can be obtained from:
The Secretary, Wm Low & Company PLC, GPO Box 73, Baird Avenue,
Dryburgh Industrial Estate, Dundee DD1 9NF.

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any shares.

This advertisement has been approved by CL-Alexanders Laing & Cruickshank for the purposes of Section 57 of the Financial Services Act 1986.

Application has been made to the Council of The International Stock Exchange for the grant of permission to trade in the Ordinary shares, in partly paid form, and the Warrants to subscribe for Ordinary shares of the Company in The Third Market. It is emphasised that no application has been made for these securities to be submitted to listing nor for permission to deal in these securities on the Unlisted Securities Market.

Transactions in the Ordinary shares and the Warrants to subscribe for Ordinary shares of the Company will be effected in accordance with the rules and regulations governing the Third Market of The Stock Exchange. This investment may carry a high degree of risk.

WHITEGATE LEISURE PLC
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INTRODUCTION
to
THE THIRD MARKET
by
CL-ALEXANDERS LAING & CRUICKSHANK

SHARE CAPITAL

Authorised No. of Shares		Issued, 10p paid No. of Shares	Issued, fully paid No. of Shares
125,000,000	Ordinary shares of 20p each	67,000,000	—
25,000	"A" Ordinary shares of 20p each	—	25,000
3,000,000	9p Convertible Redeemable Cumulative Preference shares 1991 of 75p each	—	3,000,000

In addition, there are 6,700,000 Warrants to subscribe for Ordinary shares of 20p each and 7,702,500 "A" Warrants to subscribe for Ordinary shares of 20p each.

Dealings in the Ordinary shares, in partly paid form, and in the Warrants to subscribe for Ordinary shares of the Company are expected to commence on The Third Market on Thursday, 3rd November, 1988.

Copies of the particulars of the Company have been circulated in the Extel Financial Third Market service and are available until 17th November, 1988 from:

Whitegate Leisure PLC
39 King Street,
Cheapside,
London EC2V 2DQ

CL-Alexanders Laing & Cruickshank
Piercy House,
7 Copthall Avenue,
London EC2R 7BE

2nd November, 1988

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 8 November 1988

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 750 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 8 November 1988.

2. The Bills will be issued in the following maturities:

ECU 300 million for maturity on 15 December 1988
ECU 250 million for maturity on 16 February 1989
ECU 200 million for maturity on 11 May 1989

Bills will be dated 10 November 1988.

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London EC2 not later than 10.30 a.m., London time, on Tuesday, 8 November 1988. Payment for Bills allotted will be due on Thursday, 10 November 1988.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in those systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 10 November 1988 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme issued by the Bank of England on behalf of Her Majesty's Treasury on 14 September 1988. All tenders will be subject to the provisions of that Information Memorandum, copies of which may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
1 November 1988

UK COMPANY NEWS

Mosaic Investments buys four companies for up to £15.3m

By Clare Pearson

MOSAIC INVESTMENTS, the holding company formerly known as Press Tools, is buying four private companies with activities ranging from bar accessories to precision engineering mould tools, for a maximum of £15.3m.

It also announced yesterday a placing of 155,000 shares at 237p to raise £370,000 towards the costs of the acquisitions.

Mosaic emerged out of Press Tools after Mr Gregory Hutchings, chief executive of Tomkins, industrial group, became non-executive deputy chairman last autumn and brought Mr Brian Disbury and Mr David Williams onto the board.

Mosaic describes itself as an "entrepreneurial management company," aiming to bring together small, young, companies in the hope that they will flourish under its umbrella. Yesterday's deals bring the number of companies brought since February to nine.

The aggregate initial consideration for the four companies is £6.15m, with the balance payable if the average profit after tax of the companies for the final 12 month "earn-out" period reaches £2m. The "earn-out" periods vary between the end of next year and March 1992.

About 58 per cent of the initial consideration is being satisfied in Mosaic ordinary shares, and about 20 per cent in convertible preference shares. The vendors of two of the companies acquired, Pan Eagle and Masterplug, are placing part of their allotment of shares. The deferred consideration is payable in a mixture of ordinary and convertible preference shares.

The initial payment is £2.5m for the PSV Companies, which make and sell spirit measures and bar accessories and made £215,000 in their last financial year. For Rodney Day Associates, a design and marketing company which made £446,000, Mosaic is paying £2.1m; and for Pan Eagle and Masterplug, which make precision engineering mould tools and plastic products and had profits of £269,000, it is paying £1.55m.

The deferred considerations are £2.78m, £1.9m, and £2m. An extra £2.48m becomes payable to another company which is currently being merged with the PSV companies.

Global Gp dividend cut after profits slump 53%

GLOBAL GROUP, wholesaler and manufacturer of meat and meat products and other specialist foods, suffered a setback in the year ended May 31 1988 and is cutting the final dividend from 1.75p to 0.5p.

After a 28 per cent increase in pre-tax profit to £277,000 at halfway, this USM quoted company reported a decline over the full year from £439,000 to £205,000 on turnover of £50.95m (£35.7m). Earnings were 3.5p (8p) and the total dividend 1.75p (3p).

In UK wholesaling and importing turnover rose significantly, and the number of transactions also increased. However, exceptional overstatement of contract volumes and considerable understatement of certain overheads — principally storage and related charges — resulted in lower than expected levels of net profitability.

The international division turned in a poor performance resulting from poor demand on the Continent and high prices in the UK. Difficult trading conditions in the French subsidiary led to a loss of £18,000, compared with a profit of £80,000 last time.

The directors were confident that the difficulties would be resolved during the current year. Contractual arrangements had been altered to eliminate financial risk and costing systems improved considerably. Benefits should become apparent towards the end of the current year.

Once the changes in management and systems were effective, the group should return to its former levels of growth.

Darby Group to join the USM

By Clare Pearson

DARBY GROUP, a glass processor which specialises in various types of tempered safety glass, is coming to the Unlisted Securities Market. The bulk of the proceeds will be used to finance expansion of its manufacturing capacity.

Panmure Gordon is placing 3.9m shares, representing 27 per cent of the enlarged ordinary share capital, of which 1m are being sold by the directors and 333,333 by Norwich Union Venture Capital. At the placing price of 115p, Darby gains a market capitalisation of £16.8m.

The company has two major projects in hand which are expected to contribute to profits in the year beginning March 1989. It is opening its third plant, which is expected to come on stream next September and will double its capacity in flat tempered glass, and also embarking on a joint venture with a Swiss partner, Catrin Machines, which should be producing bent tempered glass by the spring.

With its two existing plants, Darby estimates it accounts for about 15 per cent of UK tempered glass capacity, with two main competitors. It is keen to expand the currently tiny proportion of its products sold into Europe, especially in Holland and Germany, where it sees a shortfall between demand and supply of safety glass.

Unlike its chief UK competitors, which obtain most of their float glass in the UK, Darby's is mainly sourced from the French Saint-Gobain and the US PPG Industries.

For the current year, Darby is forecasting pre-tax profits of £1.9m. This compares with £859,000 on turnover of £4.57m in the six months to 2 September, when only one plant was in production.

The company, originally a glazing contractor, switched into tempered glass production after publication in 1982 of a revised British Standard encouraging wider use of safety glass. Seventy per cent of its products now incorporate toughened glass.

Assoc British Industries advances 40%

Associated British Industries, maker of wax, oil, chemicals, sealants and adhesives, lifted pre-tax profits by 40 per cent from £1.33m to £1.86m for the year ended June 30 1988, on a marginally higher turnover of £33.88m, against £33.59m.

The directors said that continued investment in the US had been fully justified with sales and profits after the interest costs of acquisition exceeding budget.

Earnings per share were 49.53p (35.92p) basic or 37.12p (26.71p) fully diluted. A final dividend of 4.25p is proposed for a total of 7.75p (6.5p). The company's shares are traded on the over-the counter market.

Doubled profits of £2.7m for Select Appointments

STRONG ORGANIC growth in the UK helped Select Appointments (Holdings), USM-quoted recruitment agency, achieve strong progress in the six months to October 5.

Pre-tax profits more than doubled from £1.19m to £2.73m on sales up 90 per cent from £8.9m to £16.88m.

Earnings advanced 68 per cent to 11.1p (6.6p), with comparisons restated to reflect the rights issue in June as part of the £16.5m acquisition price for Morgan & Banks.

These results include one quarter's contribution from M & B, which made a significant contribution.

Mr Robert Klapp, chairman, said the acquisition of M & B and the strong trading experienced had substantially increased cash resources. Acquisition opportunities were being actively pursued, he added.

The interim dividend is increased from 1p to 1.2p.

Marwan lifts Kelt stake to 9.6%

By Nikki Tait

Dr Ashraf Marwan, the Egyptian financier, has acquired a further 50,000 convertible preference shares in Kelt Energy, the oil independent which is bidding for the larger Carless group.

This takes Dr Marwan's holding to 9.56 per cent of the convertible preference class, or 2.866m. The shares were bought at 68p — 1p below the 69p mid-price yesterday.

Kelt has included convertible preference shares as a small part of its bid terms for Carless. These offer £4 cash plus one convertible for every four Carless shares held, with a full cash alternative of 115p.

SelecTV merger with Witzend and cash call

WITZEND Productions, supplier of independent television series in the UK is reversing into SelecTV, USM-quoted subscription television operator.

SelecTV is issuing 15m new ordinary shares to Mr Michael Buckley and Mr Allan McKeown, the owners of Witzend, and is making a rights issue of 35.58m new 1p shares at 5p each to raise £1.64m net.

Proceeds of the rights, underwritten by Guidehouse Securities, will be used to develop new light entertainment series, both independently and in joint ventures worldwide, and in establishing a sales organisation to exploit Witzend's film library.

Following approval of the acquisition, Mr Buckley will become chairman of SelecTV and Mr McKeown will become chief executive. Mr Buckley and Mr McKeown are subscribing for 8m new shares each under the rights issue and will together control 39 per cent of the enlarged company.

Pergamon Holdings and Maxwell Communication Corporation have undertaken to subscribe for a total of 9.66m rights shares which will leave them with 20 per cent of the enlarged capital.

SelecTV intends to reduce its share capital and share premium account by £4.11m in order to eliminate the deficit on the profit and loss account so as to be in a position to pay a dividend in future.

Aerospace Eng

Aerospace Engineering's offer for John Curran has been accepted by holders of 148,219 ordinary (98.81 per cent). Of these, elections for cash were received on 115,326 shares and elections for new Aerospace shares on 32,893 shares.

Caldwell Invests

Caldwell Investments, reported a 65 per cent rise in pre-tax profits in the year to June 30.On turnover 46 per cent ahead at £5.37m (£3.68m) taxable profits came out at £163,000 (£99,000). Tax took £64,000 (£2,000).

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FINANCIAL TIMES
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East Daggafontein Mines Limited

(Incorporated in the Republic of South Africa)

Declaration of interim dividend number 76

On Tuesday, 1 November 1988 interim dividend number 76 was declared payable to holders of ordinary shares as follows:

Amount (South African currency)	60 cents per share
Last day to register for dividend (and for changes of address or dividend instructions)	Friday, 18 November, 1988
Registers closed from to (inclusive)	Saturday, 19 November, 1988 Saturday, 26 November, 1988
Ex dividend on Johannesburg and London stock exchanges	Monday, 21 November, 1988
Currency conversion date for sterling payment to shareholders paid from London and Canadian $ payment to shareholders paid from Vancouver	Monday, 21 November, 1988
Dividend warrants posted	Friday, 9 December, 1988
Payment date of dividend	Friday, 9 December, 1988
Rate of non-resident shareholders' tax	15 per cent

The full conditions relating to the dividend may be inspected at the Johannesburg, London and Vancouver offices of the company and its transfer secretaries.

By order of the board

R B Shead
Company secretary

Transfer secretaries
Unidev Registrars Limited
6th Floor, 94 President Street
Johannesburg, 2001
(PO Box 1053
Johannesburg, 2000)

Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL
England

The Canada Trust Company
Four Bentall Centre
PO Box 49390
Vancouver BCV7X 1P3
Canada

Registered office
7th Floor, Marshall Place
66 Marshall Street
Johannesburg, 2001
(PO Box 61409
Marshalltown, 2107)

London office
Arthur Young
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH
England

Johannesburg
2 November 1988

This advertisement is issued in compliance with the Regulations of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange").

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Ordinary Shares of 5p each in Darby Group Plc in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

Darby

Darby Group Plc

(Incorporated in England under the Companies Acts 1948 to 1967 No. 1285055)

Placing by
Panmure Gordon & Co. Limited

of 3,933,333 Ordinary Shares of 5p each at 115p per share

Darby Group Plc is a manufacturer and distributor of a range of specialist glass products, including tempered (toughened) glass, insulating glass units and complete door and window systems.

Share Capital

Authorised		*Issued and fully paid*
£950,000	in Ordinary Shares of 5p each	£730,000

The Ordinary Shares now being placed will rank in full for all dividends and other distributions hereafter declared, made or paid on the ordinary share capital of Darby Group Plc.

In accordance with the Regulations of the Council of The Stock Exchange, Panmure Gordon & Co. Limited and CL-Alexanders Laing & Cruickshank are placing 2,949,999 and 983,334 Ordinary Shares respectively.

Particulars relating to Darby Group Plc are available in Extel Unlisted Securities Market Service and copies may be obtained during normal business hours (Saturdays excepted), up to and including 4th November, 1988 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 16th November, 1988 from:

Darby Group Plc
Darby House
Sunningdale Road
Scunthorpe
South Humberside DN17 2SS

Panmure Gordon & Co. Limited
9 Moorfields Highwalk
London EC2Y 9DS

2nd November, 1988

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
237	185	Ass. Brit. Ind. Ordinary	237	+2	8.7	3.7	8.9
237	186	Ass. Brit. Ind. Cals	237	+2	10.0	4.2	-
40	25	Armitage and Rhodes	39	0	-	-	-
57	35	BBB Design group (USM)	35	0	2.1	5.9	5.6
171	155	Bardon Group	171	0	3.3	1.9	24.1
116	100	Bardon Group Conv. Pref.	116	0	6.7	5.8	-
148	114	Bray Technologies	114xd	0	5.2	4.6	8.3
114	100	Brenhill Conv. Pref	110	0	11.0	10.0	-
287	246	CCL Group Ordinary	284	0	12.3	4.3	4.3
165	124	CCL Group 11% Conv.Pref	164	0	14.7	9.0	
153	129	Carbo Plc (SE)	153xd	0	6.1	4.0	13.3
113	100	Carbo 7.5% Pref (SE)	112	0	10.3	9.2	
338	147	George Blair	340	+2	12.0	3.5	7.5
115	60	Isis Group	115	0			15.1
118	87	Jackson Group (SE)	110xd	0	3.4	3.1	12.2
350	245	Multihouse NV (AmstSE)	310	0	-	-	-
117	40	Robert Jenkins	118xd	+1	7.5	6.4	4.5
430	124	Scruttons	408xd	0	8.0	2.0	37.1
280	194	Torday & Carlisle	277	0	7.7	2.8	13.4
100	100	Torday & Carlisle CNV PRF	100	0	10.7	10.7	-
96	56	Trevian Holdings (USM)	93	-2	2.7	2.9	10.0
113	100	Unistrut Europe Conv Pref	108	0	8.0	7.4	
350	350	Veterinary Drug Co. Plc	350	0	22.0	6.3	9.4
313	203	W.S Yeates	313	0	16.2	5.2	60.2

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Dec. 1511/1520 N/C	Dec. 1863/1873 -1	Dec. 2144/2156 -2

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FINANCIAL TIMES SURVEY

TOYS and GAMES

CONTENTS

After a buoyant few years, the world toy industry is facing more testing times. Priorities are to prepare for the European single market and to devise a new generation of products. This, says **David Churchill**, could lead to even more globalisation of the sector

All work and little play

WITH LESS than 50 shopping days to go until Christmas, toy manufacturers worldwide are about to plunge into the most nail-biting season of the year. Only now are they going to learn whether the past months of planning, design, and heavy investment will bring rich profits, or a potentially disastrous drain on funds.

As up to two thirds of all toys and games are bought in the two months before Christmas the strength of consumer spending this year is being monitored as never before.

The buoyancy of spending in Britain's shops so far this year has made the industry rather more optimistic than usual as the Christmas run-in approaches.

Yet even a 'good' Christmas has in the past not always enabled toy companies to survive, especially in the international arena.

Major US operators such as Coleco Industries and Worlds of Wonder have both discovered that even buoyant sales in the mid-1980s were insufficient to stave off the more fundamental management and marketing problems which eventually forced them into bankruptcy. The lessons of the toy industry in the US — over-production, over-hype and poor cost control — have not been lost on other manufacturers worldwide.

Moreover, US manufacturers' love-affair with high-tech toys - such as Worlds of Wonder's 'interactive' microchip crammed talking doll Julie - have turned parents and children off both because of the technology involved as well as the high prices.

Yet, ironically, the US toy industry has potentially the most optimistic outlook of all western toy markets. While the overall child market in Europe will decline by about five per cent over the next 30 years, and the Japanese market by 10 per cent, only the US child population is forecast to increase.

Moreover, some European countries have particular problems with the crucial pre-school toys market in the short term. The number of children aged under 4 years will continue to decline into the middle of the 1990s, with the exception of the UK, Austria, West Germany, Greece, and Ireland.

But the US and Europe remain the most important markets in an industry with estimated world-wide sales of \$40bn last year. The US and European toy markets accounted for well over a quarter of those sales and five companies — Hasbro, Mattel, Fisher-Price, Kenner Parker Tonka, and Tomy — between them represented almost one third of world sales.

The growing 'globalisation' of the toy industry is also shown by the growth of Toys 'R' Us which claims to be the world's largest toy retail chain. By the end of this year it will have 18 UK stores all featuring its style of "pile 'em high, sell 'em cheap" retailing to add to its 400 US stores. A more modest example of international toy retailing comes from the Early Learning chain, owned by the British company John Menzies, which has 50 outlets in the US, plus test outlets in Holland and Australia, in addition to its 250 UK stores.

European toy companies are also gearing up for the introduction of the single European market in 1992 which — as with most sectors — offers both opportunities and problems.

Lego, for example, already has its own companies in 14 European countries and embraces the needs of different markets with multi-lingual packaging.

Mr David Hawtin, director general of the British Toy and Hobby Manufacturers Association, believes that while the single market will undoubtedly boost economic growth, there will inevitably be a shaking out of the less efficient and uneconomic enterprises.

"There will be extreme pressure on European toy companies to concentrate their production in fewer plants which have been made flexible enough through automation to serve Europe's variable tastes," he says. He foresees the creation of twinning arrangements between small to medium-sized European toy companies.

Mr Hawtin suggests that there "may be a move by the Italian and French industries to persuade the European Commission that the toy industry is a sensitive sector which will require the negotiation of bilateral deals with countries outside the EC, and only when such deals are in place should the internal market for toy products be opened up."

He says that the BTHA view is that the EC "should not be an inward looking cartel."

Yet while toy industries world-wide consider the implications of frontier changes and demographic trends, other lifestyle changes may offer more opportunities.

Ms Fiona Stewart, a business consultant at the Henley Centre for Forecasting, says that more working women will create a marketing opportunity for the sector; mothers may feel guilty about working and assuage their feelings by spending more on their children.

"Having divorced parents also increases the likelihood of occasional purchases by the parent with partial access," she says. "Furthermore, competition between divorced parents could be exploited through means such as collectable toys."

Whether or not it will be a good Christmas for the toy trade in the UK depends largely on consumers shrugging off the impact of higher interest rates and continuing to spend at the same rate as they have done all year.

Gordon Webb of the BTHA points out that toy sales in the first half of this year were about 10 per cent higher than the same time last year. "If this continues into the second half of the year, and we have a good Christmas, then for the first time the toy industry will have achieved sales of over £1bn in a year," he says. Last year the value of retail sales of toys and games totalled around £900m.

Toy traders in the UK cling to the traditional and firmly held belief that even if consumers start to feel Chancellor Nigel Lawson's squeeze before Christmas then they will still find the money to give their children the latest toys and games as presents.

The only trouble with this scenario is that this Christmas the industry — not only in the UK but in other European and US markets — is having to face up to the fact that there are no real winners as in previous years, such as Cabbage Patch dolls or the board game Trivial Pursuit. These have stimulated enormous excitement and interest in the market.

"Gone are the vast majority of action characters, robots and transforming creatures which filled the shelves last year," reports the Argos stores chain, one of the largest toy retailers in Britain. "Back for the 1988 festivities are the familiar dolls, prams, trains and cars."

This trend first became apparent last Christmas when parents and their children started turning away from heavily-advertised toys towards more traditional products. Those retailers which had banked heavily on selling large volumes of such toys at discount prices soon found themselves forced to sell at a loss simply to shift the stock.

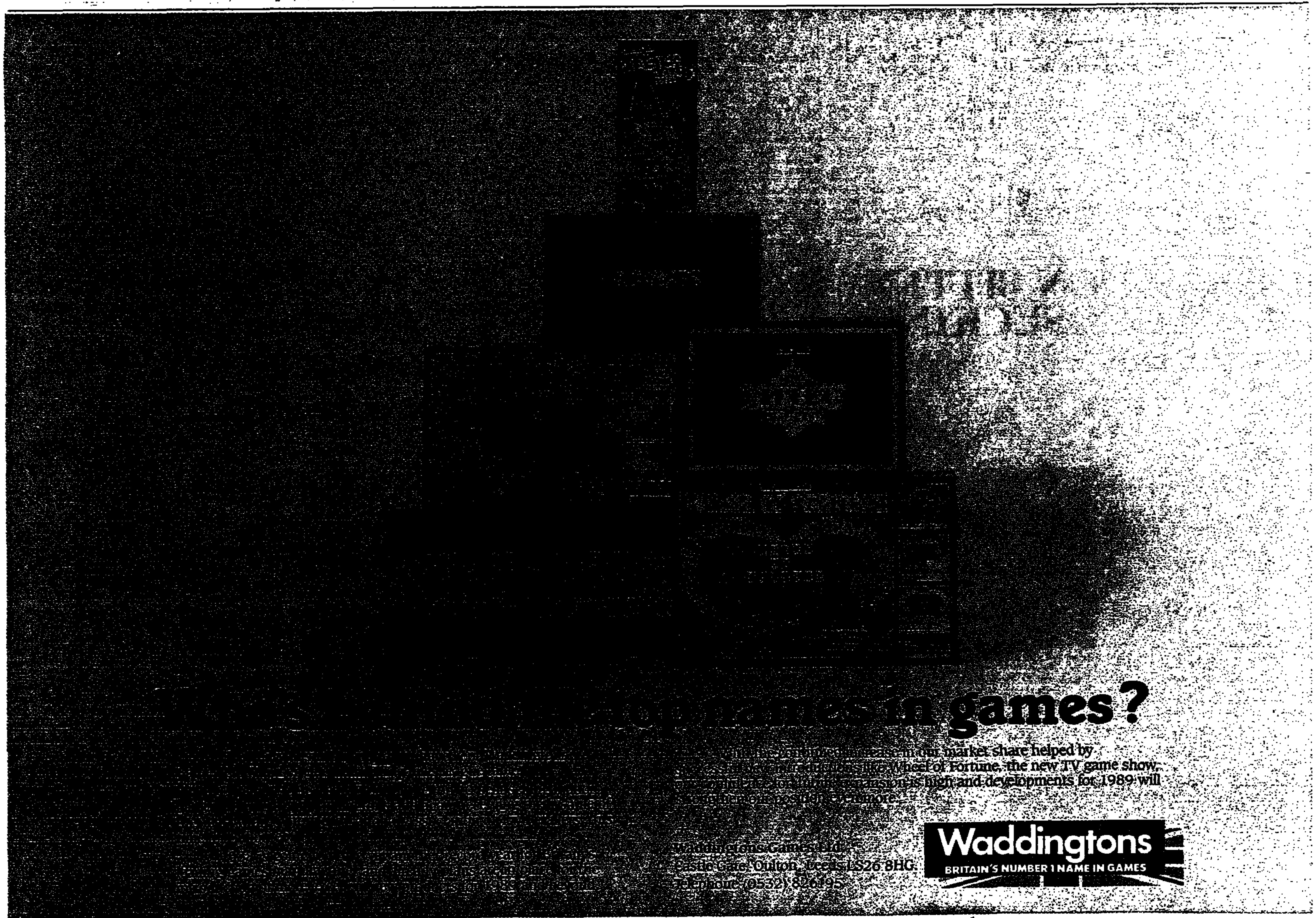
What the UK and other markets have re-discovered to their cost in recent years is that consumers — especially children — are fickle. In the early 1980s it seemed that nothing would stop the advance of electronic and video toys and games.

But just as quickly as they embraced these toys, so children forsook them for character toys such as Masters of the Universe. Now they have seemingly lost interest in this genre and are searching for something else, yet to be identified by the industry.

Mr Peter Eio, managing director of Lego in the UK, believes that the industry does not need to be so totally reliant on fashion. "In the pre-school market, for example, the entire consumer base changes every four to five years and mothers search longingly for the perennial toys that they themselves enjoyed in childhood," he says.

But the fickleness of fashion is not the only problem for the international toy trade: compression is the latest factor to take into account. This refers to the fact that while the target age group for toys and games used to run up to about 15, the growing sophistication of children means that once they are into their teens children from all countries are more interested in clothes, records, and videos than toys and games. The world toy industry may need to do some serious thinking about where its products and markets should be directed in the decades ahead.

Contrasting faces of the toy industry: (from left) a young competitor contemplates her next move at a recent Monopoly championship; a child with Fisher-Price's Play Family Main Street, of which 600m have been sold world-wide; and Hamleys, claimed to be the world's biggest toy shop, currently up for sale



UK RETAILING

The age of multiples

THE TOY retailing sector in the 1980s has reflected the trends that have characterised retailing as a whole: namely, the inexorable rise of the multiples at the expense of the independent retailers.

New toy superstores, typified by the move into the UK of US retailer Toys 'R' Us, have concentrated on selling large volumes of heavily advertised toys and games at discount prices which specialists have been unable to match. Manufacturers, anxious to ensure volume sales, have given bulk discounts to supermarkets and superstores enabling them to cut prices.

Yet many within the trade see this as a short-sighted approach since it helps multiple retailers increase their market share at the expense of specialists.

Mr Philip Goodall, chairman of the National Association of Toy Retailers, says: "How many toy manufacturers are concerned with the profitability of their specialist retailers who stock 90 per cent of their ranges all the year round?"

At a recent trade conference he told manufacturers: "Is it not possible that every time you give a multiple discount store a bigger discount, you put another nail in your own coffin?"

Mr Ken Lewis, business director for stationery and toys at Woolworth, is also critical of toy manufacturers' approach to the industry. He suggests that over-production and over-buying have been the root cause of the industry's problem of low profitability.

Woolworth is the UK's largest toy retailer with about 10 per cent of the market. It recently purchased the Chad Valley brand name which it intends to use — *for the first time since 1982* — as its own-label brand name.

The second largest toy retailer is the Argos catalogue stores chain. Expanding rapidly is Toys 'R' Us which claims to be the world's largest toy retailer. It operates from one acre sites with up to 45,000 square feet of selling space. So large are its outlets that each new store it opens in Britain gives it on average a further half per cent of total toy sales. At the end of this year it will have about 18 stores in the UK.

Next in line in terms of market share are supermarket chains Tesco and Asda which concentrate heavily on selling popular toys and games at discount prices.

Early Learning Centres, a chain of about 250 stores, ranks sixth in the market. These shops concentrate on the growing pre-school market.

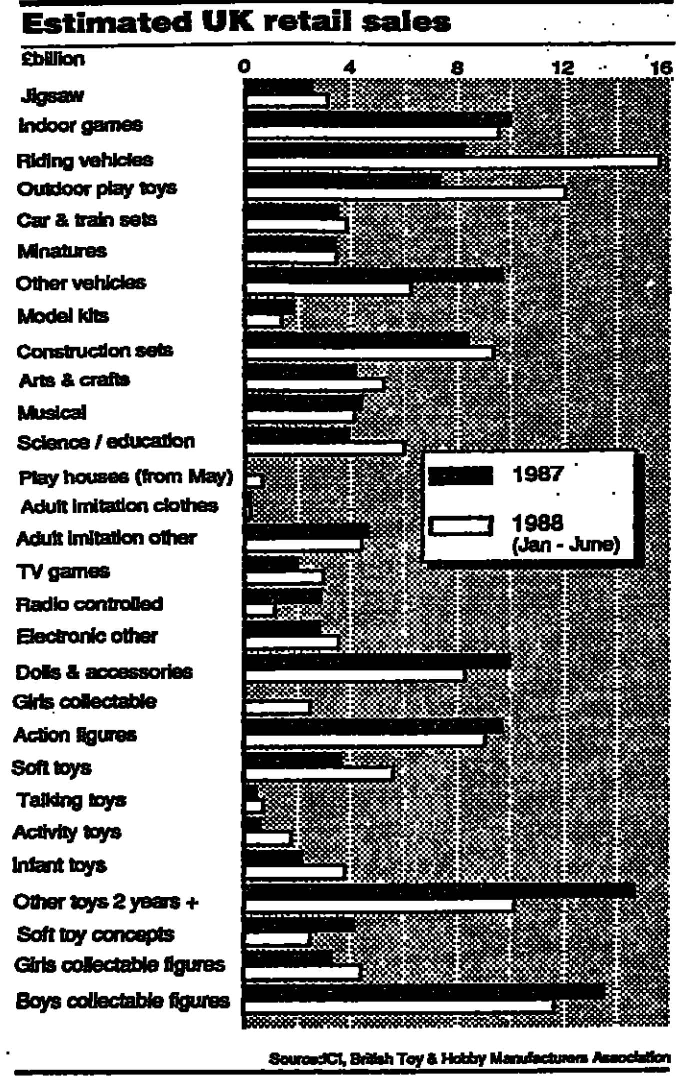
Zodiac, seventh in size in terms of sales, was taken over by the acquisitive retail conglomerate Ward White in 1985 as part of Ward White's purchase of the Maynards confectionery and newsagents chain. At the time, Ward White had ambitious plans for developing a major toy chain.

However, it soon found the seasonality and fierce competition in the sector not to its liking and earlier this year Zodiac was sold to a consortium of investors led by Mr Peter Hindley, a former Hamleys director, for £7.3m.

Hamleys — whose Regent Street store is claimed to be the world's largest toy shop — has also experienced a difficult few years. It was originally owned by Debenhams but, following the takeover by Burton Group, it was sold to Harris Queensway. Now that Harris Queensway has itself been acquired by Mr James Gulliver, Hamleys is once again up for sale. Final talks are taking place with three possible buyers — possibly non-UK companies — and a decision should be announced shortly.

David Churchill

Estimated UK retail sales



Source: ICI, British Toy & Hobby Manufacturers Association

US MARKET

End of the bear market

The American toy industry, once driven by the sales of spectacularly popular toys like Teddy Ruxpin, the talking bear, and Cabbage Patch dolls, is going through its third consecutive year of flat sales.

After a decade of sales of between $123 and $135 per child, trend-setting toys, especially expensive ones like Trivial Pursuit and Cabbage Patch dolls, pushed the figure up nearly 50 per cent to $195 in 1984. For manufacturers it was a golden few years.

According to analyst Leslie Maladowitz, of Drexel Burnham Lambert, such toys accounted for more than 54 per cent of the increase in per child sales. "The popularity of these toys had two important side effects," says Ms Maladowitz. "First they brought consumers into toy stores, where people bought other toys. Second the expense of the new toys "seemed to increase (people's) overall toy budgets."

Since 1985, when per child sales peaked at $196, spending has declined to $180 per child, still exceeding the pre-boom levels. But the industry's inability to repeat the success of Trivial Pursuit and Cabbage Patch dolls has cost it dearly.

Coleco Industries and Worlds of Wonder, the companies responsible for major sellers like Cabbage Patch dolls and Teddy Ruxpin, have declared bankruptcy. Victims of their own success, the companies had expanded to accommodate their best sellers. To maintain sales Coleco, for instance, bought the distributor of Trivial Pursuit after sales of the game had peaked, while Worlds of Wonder had trouble meeting demand for Teddy Ruxpin and its subsequent best seller, Lazer Tag.

Other companies have learned a lesson in modesty that reflects consumers' new found resistance to expensive toys. Steven Klein, executive vice-president of Lewis Galoob Toys, says the company's popular Micro Machines, authentically detailed miniature cars which sell in packages for as little as $4, "capitalise on a trend to less expensive toys.

"Consumers told us last year that they were not prepared to spend large amounts on toys on a regular basis."

Because the only electronic toys popular this year are video games, which peaked in in 1983, manufacturers have over the past two years been generally more wary; the once-bitten American producers are now twice shy. Video games are expected to account for $1bn of the industry's anticipated $12.5bn sales in 1988. Today such games are almost exclusively Japanese imports but, unlike Cabbage Patch dolls and Trivial Pursuits, they have have failed to stimulate US toy sales.

Line extensions and copies of other companies' products dominate this year's new offerings. When Hasbro failed to capture a large share of the $400m fashion doll market with Jem, a trendy teenage singer by night and record executive by day, it scrapped the idea and brought out an even closer look-alike to Mattel's perennial favourite, the Barbie doll.

This time, however, Hasbro's Maxie can wear Barbie's clothes and, at a cheaper price than most of the Barbie line, Maxie reflects "a risk adverse strategy that could pay off," according to Bear, Stearns analyst Steven Eisenberg.

This year Hasbro has also introduced Army Ants dressed for battle, cops and crooks, gangsters with noise-producing guns and square marbles called Squarbles.

Mattel, the most international US company with 47 per cent of its sales abroad, has this year unveiled a line of sun glasses for children called Cool Shades, finger puppets called Bogins and Lil' Miss Makeup, a doll whose facial colouring changes in hot water.

After the success of its Pound Puppy plush toy line, Tonka Corporation has risen to third biggest toy company following its takeover of Kenner Parker Toys. With 1987 sales of $795m and operating income of $62m, Tonka is counting on making a success of its new products like Bone Age dinosaurs, Special Blessing soft dolls with Velcro hands and bottoms, and Fashion Star Fillies, plastic horses with names like My Little Pony.

Most US companies launch their toys in foreign markets annually after their domestic launch, giving them a test market and a more gradual manufacturing phase-in. Galoob, however, introduces its products in the US and world markets at the same time. This year it has hard plastic dolls of characters from Star Trek. Next will come Bouncing Babies that fuss and kick, and Army Gear, a line that will transform from a hand grenade, for example, into a bunker.

The US retailer Toys 'R' Us, which is quickly expanding abroad from its base of 400 American stores, each, according to Joseph Baczko, president of the international division, the size of a football pitch, is pioneering efforts to extend the toy season throughout the year. According to Baczko the company has now reduced dependence on the "eight week Christmas kill" from 70 per cent of sales to 50 per cent.

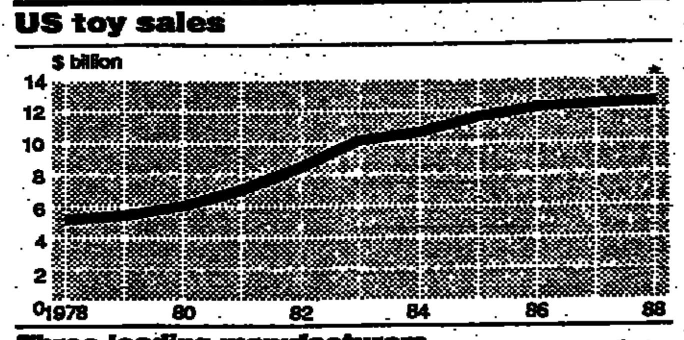
With its first foreign store opened in Canada in 1985, the company already has 52 international locations, from Singapore to the UK and is expanding by 15 per cent a year.

Companies like Galoob have introduced toys aimed at the non-Christmas season, such as Dig Stix giant bubble makers designed for the outdoor summer season. Small cars in the Micro Machines series have even been introduced in phases to be bought by children throughout the year.

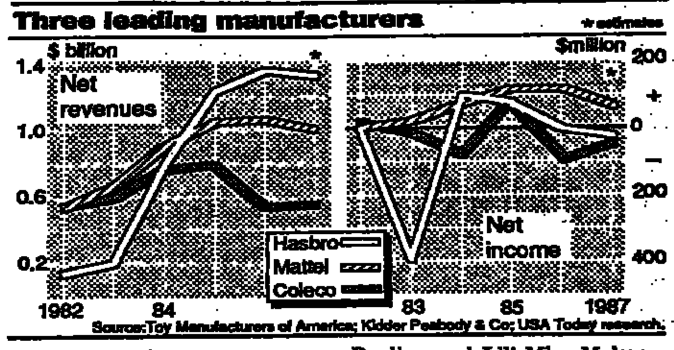
Mr Backzo, whose company accounts for 20 per cent of all American toy sales, considers "the rest of the world where the US was 20 years ago, with toy sales concentrated in department stores and mom and pop shops during Christmas." In trying to take "the volatility out of the toy market," he sees considerable capacity for the expansion of US toys into markets that are only now beginning to see the promotions and advertising long familiar to American children and their parents.

Frank Lipsius

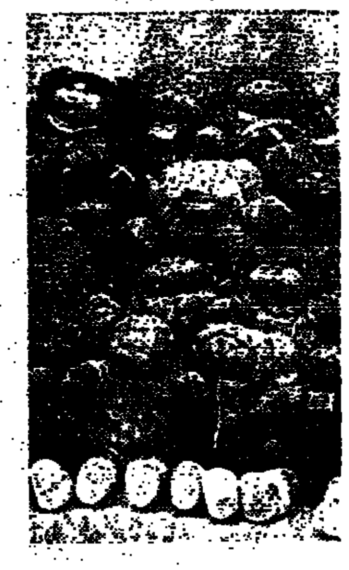
US toy sales



Three leading manufacturers

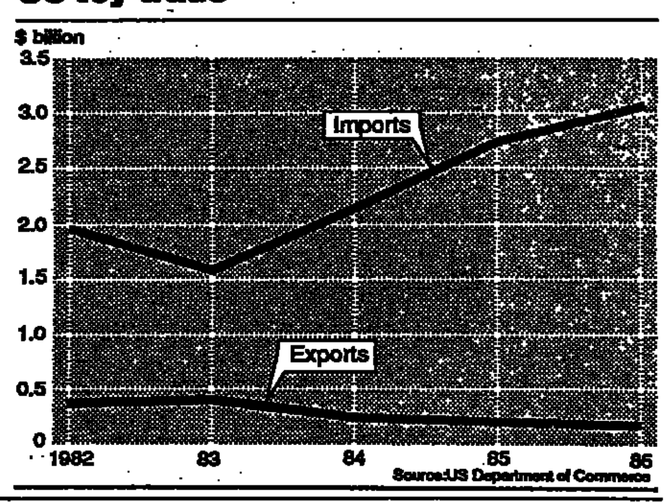


Source: Toy Manufacturers of America; Kidder Peabody & Co; USA Today research.



Cabbage Patch dolls: one of the industry's all-time best-sellers

US toy trade



Source: US Department of Commerce

UK MANUFACTURING

Survival strategies

PROBABLY THE greatest achievement of the UK toy manufacturing industry in the 1980s has been its very survival.

After the traumas of the late 1970s and early 1980s, when famous names such as Airfix, Lesney, Dunbee-Combex-Marx, Berwick Timpo, and Mettoy, all collapsed, the British toy business looked in a sorry state.

But since then a new generation of smaller and leaner toy companies has emerged able to fill in the gaps left by the major international players such as Mattel, Hasbro-Bradley, Fisher-Price, and Tomy.

"The real message of the toy industry seems to be that well-managed companies can and are being run for good profits in the UK," according to a recent study on the industry by the Euromonitor, a market research company .

It points out that while the UK toy market is relatively small, it has comparatively low entry costs and consumer demand is spread over a wide range of products in which novelty and variety are at a premium.

"In such a market ambitious sales plans carry spectacular risks and there seems a natural tendency for the largest players to be brought periodically back to earth," it says.

"But by the same token the medium-sized company can thrive in such an open environment."

Bluebird Toys is one of the new generation of successful UK toy companies. Founded in 1981 by Tonquil Norman, its chairman, the company grew swiftly and was launched onto the Unlisted Securities Market (USM) in 1985. The group now holds about 3 per cent of the UK toy market.

The company concentrates on plastic-based toys for the pre-school market such as Big Yellow Teapot and A La Carte Kitchen. It believes the emphasis in the toy market is moving from heavily-branded character merchandise towards well-established and familiar names. Last year it acquired Peter Pan Playthings whose products include Etch-a-Sketch and Plasticine and this year it has bought Merit Toys.

Pre-tax profits for the year to end of December 1987 were £2.49m — up 43 per cent on the previous year — on turnover of £20.4m (£11.9m in 1986).

Another new company that has emerged in recent years is San Serif which in July this year merged with Cowells, a specialist printer, to form Serif Cowells. The new company is listed on the USM and is described as a "broadly-based leisure, printing, and publishing group." Most of its business, however, is the manufacture and marketing of Trivial Pursuit for which it has the manufacturing and European distribution rights until 1990.

A more established printing and games company is John Waddington whose interests also include packaging. Leeds-based Waddington achieved a 44 per cent growth in pre-tax profits to £17.56m in the 12 months to April 2 this year, on turnover up 31 per cent at £172.47m.

"It was a solid year of progress, although putting things right — as well as product development — was achieved only at some expense," says Waddington's chairman Victor Watson.

The Hornby Group, the revived toy and hobby manufacturer and distributor with a USM quote, is also one of the industry's success stories. In the year to end December 1987, it tripled pre-tax profits to £1.8m on turnover up 41 per cent to £20.1m.

UK Toy imports 1987

Region	Value £m
Africa	0.2
N.America	19.5
S.America	0.1
Asia	252.1
Australasia	0.1
EEC	104.9
West Europe	10.3
East Europe	6.1
Middle East	1.8

Source: ICI/British Toy & Hobby Manufacturers Association

UK Toy exports 1987

Region	Value £m
Africa	1.5
N.America	18.1
S.America	0.2
Asia	2.7
Australasia	2.8
EEC	104.3
West Europe	11.0
East Europe	2.4
Middle East	2.5

Source: ICI/British Toy & Hobby Manufacturers Association

In the first six months of this year interim pre-tax profits rose by 13 per cent to £546,000, although like most toy companies, Hornby earns most of its sales and profits growth in the Christmas selling season.

Sharna Tri-Ang, which is owned by Triangle Trust, is the UK's leading manufacturer of large-wheeled toys marketed under the Tri-Ang brand. Triangle Trust produced profits of £268,000 in 1987 — its first profits for three years — and in the first half of the current year reduced its interim pre-tax loss to £31,000 against £258,000 at the same stage last year.

Britain's Petite, owned by Dobson Park Industries, is one of the world's largest suppliers of children's typewriters as well as an established name in toy farm and military vehicles.

Not all UK toy companies, however, have been as successful. J W Spear & Sons, whose most famous product is Scrabble, reported a 26 per cent drop in pre-tax profits in 1987 and pre-tax losses of £258,000 in the first half of 1988. Part of this financial performance, however, is due to a major marketing effort to relaunch Scrabble on the market to capitalise on the demand for board games.

Fergabrook Group, the USM-quoted distributor of character toys such as Thundercats, was also forced recently to enter into a complex financial arrangement with Harlestone Industries (makers of the famous Wembley brand football) which effectively gives Harlestone management control.

David Churchill

BACKWORDS.
The wen emag that's really nuf.
It's the egar at all doog serots.
San Serif Print Promotions Limited, Serif House, Ipswich, Suffolk IP2 0EE Tel: 0473 225941

OPPOSITION BITTEN BY "BLOODSUCKING" TAX RISE
BY MAC OVELION OUR POLITICAL CORRESPONDENT

The opposition was plunged into disarray last night as Prime Minister Jim Smith unveiled plans to raise company tax by 200%.

Cries of "Monster" and "Parasite" assailed him from all sides of the table as serious allegations were made concerning the nature of his administration.

"The man's a vampire of the worst sort", shouted Mary Jones MP (All Night Party), a prominent opponent.

Matthew Willis MP (Clapham Marxist and Free Parking Party), the proud owner of many leading companies, was clearly not reconciled to the Prime Minister's personal style of wealth redistribution. "I've made a cool £1 million during my go and I don't intend to let Smith line his own grubby pockets with it". He snarled.

Ms Jones vowed to concentrate all her efforts on forcing an election. With this in mind she attempted an alliance with Willis, temporarily abandoning her bid to deprive him of British Gas. He, however was less sure, having fresh memories of his recent struggle to defend Philips from her.

Their wrangles were witnessed with satisfaction by the Prime Minister, who, confident of his majority, was heard to boast, "Never in the dining rooms of Cambridge has so much been owed by so few to so many".

Certainly, the players find their business and political talents pushed to the limits. After all, the game Poleconomy is definitely not for the meek.

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Rainbow gets the balance right.

To a toy company, a balanced portfolio can mean the difference between an ordinary year and a great one.

Rainbow, even with its proven ability to pick winners like the A-Team and Thundercats, still has to be aware of the volatility of fashionable toy ranges.

Therefore, to achieve our objective of long-term growth we are now building staple ranges like:

Micro Machines – highly collectable system of miniature vehicles and playsets, currently the fastest growing boys' toy, and No 1 die cast range, in the USA.

Secret Army Supplies – new transformable two-in-one playsets which show clear long-term growth.

TCR – a unique car and track system, with over 60% share of the French market, brought by us to the UK this year.

Our recent merger with Wembley Sportsmaster, by far the UK's largest supplier of plastic footballs, reinforces our stability too, and at the same time lessens our traditional dependence on Christmas.

This merger, together with the development of staple ranges within Rainbow, gives us a sound foundation and trading base for future growth.

Fergabrook is getting the balance right too!

rainbow toys
FERGABROOK GROUP PLC

TOY SAFETY

Playing by the rules

TOY MANUFACTURERS are putting a great deal of effort into trying to dispel what they call the "myth of unsafe toys". The British Toy and Hobby Manufacturers Association (BTHA), which represents 95 per cent of UK toy manufacturers, last month organised a conference in London to raise its profile on toy safety issues.

The message was: toys are safe; British toys, in particular, are safe; the villains of the piece are invariably imported; and, not infrequently, unsafe toys are imitations of well-known brands, called "knock-offs" in the trade.

The conference was organised in conjunction with the Child Accident Prevention Trust, and sharing the platform with the manufacturers were representatives from the Department of Trade and Industry, a local authority trading standards department and the Consumers' Association. The BTHA has every reason to consider the event both useful and a considerable public relations success. Nevertheless, it is unlikely to prevent a fresh crop of toy horror stories in the press as Christmas and the peak toy-buying season approaches.

The BTHA's own regular briefing to its members details the nature of the problem: "Choking toys – call for more stringent controls"; "Defective teddy bear firm fined"; "Dangerous clip-on ponies"; "Dummies contain sewage"; "Ban demand for deadly blowpipe".

Issues like these will be taken up with some enthusiasm by the popular press and television over the next couple of months. This will particularly be so if detailed cases can be "packaged" and children and the rogue toys in question assembled for the cameras by campaigning groups.

The truth is that the home is a dangerous place; children, particularly those under three years of age spend a lot of time in the home. Excellent records kept by the Department of Trade and Industry's Home Accident Surveillance System (HASS) show that children aged 14 and under in the UK suffered 775,000 accidents in the home in 1986. Out of these, an estimated 32,400, about 4 per cent, involved toys – and perhaps as many as half of

Lion Mark: BTHS's symbol of safety, soon to be launched

these accidents were falls because toys had been left lying around.

Small children, again particularly those under three years of age, regularly seem to fall off wheeled toys, push small parts from construction sets up their noses, and cut themselves on miniature toy vehicles. But the BTHA claims that a very small proportion of all accidents to children are caused by toys that are defective, and these, in the main, are cheap imports.

By Christmas 1989 the Association hopes to have a safety symbol scheme in place, and to be able to distance itself more effectively from the horror stories. Heavy promotion of a new "Lion Mark" will start next year. The intention, says the BTHA, is to help consumers identify safe toys. The Lion Mark will show that a toy has been manufactured to BS 5665 – the voluntary national standard drawn up by the British Standards Institute.

Only BTHA members, however, will be able to use the symbol, and to qualify for membership a manufacturer will need a British base. With the approach of the single European market in 1992, attempting to equate the Lion Mark with safety in the consumer's mind might be interpreted, in part, as a protectionist move.

Mr Ian Scott, the Association's safety spokesman and chairman of the BSI's toy safety committee, agrees that there have been objections from some EC manufacturers. But, ultimately, he says, the common EC interest is to keep unsafe toy imports from South East Asia off the shelves. Indeed, by 1990, European standards relating to an estimated 60,000 different types of toys will have been introduced. An EC directive on toy safety was adopted in May this year and in the UK will replace the outdated Toys (Safety) Regulations 1974.

Mr Peter Burke, head of policy and publicity at the Department of Trade and Industry's Consumer Safety Unit, sees the European Commission as having a role to play in drawing together the "best practice" among EC member states. He looks forward to being able to draw on a major European data bank of safety campaign successes and failures.

Meanwhile, the DTI's Consumer Safety Unit is gearing up for another pre-Christmas toy safety campaign. This, Mr Burke says, will be very much like last year's "teddy bear" campaign: a safety leaflet was distributed widely, backed up by the appearance in shopping precincts of giant teddy bears who also handed out the leaflets. "We have received very welcome support from many of the major toy retailers – Woolworth and Argos among them – who will be displaying the teddy bear posters and handing out the leaflets," Mr Burke says.

From the consumer viewpoint, however, the most significant breakthrough recently in the UK has undoubtedly been the 1987 Consumer Protection Act which, following campaigning by groups like the Consumers' Association, has introduced for the first time the simple provision that all goods sold should be safe.

The duty is contained in the second part of the Act which came into force in October 1987. It is now a criminal offence to supply unsafe consumer goods in the UK, although there is an important defence for retailers, states the DTI – that they neither knew nor had reasonable grounds for believing that the goods failed to comply with the general requirement.

The first part of the Act came into force in March this year and relates to product liability. It gives those injured by a defective product the right to take action against producers, importers (into the EC, not just into the UK), and "own-branders" – suppliers who put their own name on a product.

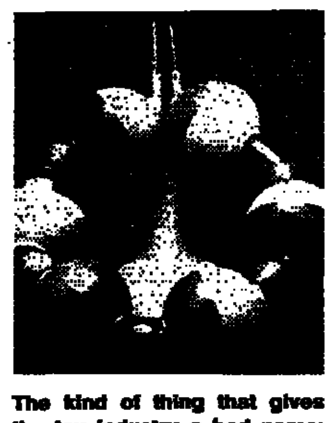
However, whatever measures governments, manufacturers and campaigning groups take, it seems impossible to eliminate accidents resulting from the abuse of products and there will never be a substitute for parental supervision.

"It is one thing to produce completely safe toys, it is impossible, however, to ensure that every consumer will use toys completely safely," says Mr Simon Taylor, who is primarily responsible at Fisher-Price Toys for the launch of new product lines in Europe.

He tells the story of a balding man who sat opposite him at a recent meeting. The man was "sporting a perfectly-formed pink circle in the middle of his forehead". With some embarrassment the man admitted to having stuck the rubber suction cup of the Fisher-Price Spinning Butterfly (which is designed to be attached to a high chair) to his head in order to amuse his baby daughter.

"How can a manufacturer educate such an irresponsible consumer?" asks Mr Taylor.

Diane Summers



The kind of thing that gives the toy industry a bad name: this ring rattle pulled away from its suction base after a short period of use, revealing two sharp metal prongs. It is one example of a number of dangerous toys that have been drawn to the attention of Consumers' Association in recent years – the organisation has been told that the rattle is no longer made

Turning safety to advantage: roller-skating, regarded by parents as an inherently dangerous activity for small children, was seen to provide a marketing opportunity by Fisher-Price Toys

SOUTH EAST ASIA

Ahead of the pack

THOUGH THE export-led economies of Asia have now progressed towards manufacturing a wide range of sophisticated consumer goods, they have not left behind basic industries such as toys and textiles which provided the foundations for their growth.

Five Asian countries – Taiwan, South Korea, Japan, Hong Kong and China – dominate the world toy export market. In 1987 they accounted for 80 per cent of all toys imported into the US, the world's largest market.

Thailand, one of a clutch of newly industrialising countries, is the latest addition to the list of leading Asian toy exporters. It is attracting substantial foreign investment, with toy companies among those contributing to the growth of the country's light manufacturing sector.

Investors include Universal Matchbox, the Hong Kong toy company that is listed on the New York Stock Exchange and which acquired the UK's Matchbox toy maker in 1982.

Washington's decision earlier this year to end the General System of Preferences (GSP), under which Hong Kong, South Korea, Taiwan and Singapore enjoyed certain trading privileges, has given toy manufacturers in these countries an additional reason to look overseas for new production centres.

"Thailand is going to be a serious competitor," says Mr Edmund Young, vice president of Hong Kong's Perfekta Enterprises. He describes the ending of the GSP, effective from January 2, 1989, as an advantage.

However, he adds that shipping in and out of Thailand still poses a problem because of congested port facilities there. Thailand is following in the footsteps of China, which has emerged in under a decade to command a sizable share of the world toy market. China achieved its pre-eminent position by combining Hong Kong's technical expertise and contacts with its own cheap and plentiful labour supply.

These factors last year enabled Hong Kong and China to supply 30 per cent of total US toy imports. "There is a revolution in the local toy industry," says Mr Bill Blaauw, director of Hong Kong's Meco Development. "Eighty per cent of local toy manufacturers have gone into China."

Five Asian countries now dominate the world toy export market

The move by Hong Kong toy manufacturers into China is vividly illustrated by the export figures for the two. In 1982 China made up only 0.7 per cent of US imports, with Hong Kong accounting for 32.7 per cent. By 1985 the figures were 8.8 per cent and 28 per cent respectively, and by 1987 15.1 and 14.7 per cent. This year there has been a further shift in favour of China. Hong Kong and China's combined market share in the US has remained fairly constant at around 30 per cent. Taiwan's share exceeds 25 per cent, South Korea 18 per cent and Japan 10 per cent.

Peking's toy export expansion could be dented by France's recent decision to impose quota restrictions on toy imports from China. Manufacturers in Hong Kong hope this does not presage similar action from other European Community member countries. "We can't see how the French can justify it," says Mr Young.

The growth in China's toy exports, in alliance with the Hong Kong toy industry, and the emergence of Thailand as a major player are increasing the pressure on toy industries elsewhere in Asia.

With the soaring value of the yen, Japan is now manufacturing only at the very top end of the market, particularly in the more sophisticated electronic toys and video games sector. Elsewhere, Taiwan and South Korea have both had to cope with the effects of their appreciating currencies, while the recent industrial action in South Korea has led to rising production costs there.

Since Hong Kong's currency is linked to the US dollar, manufacturers in the British colony have had an extra competitive edge, particularly in the European toy market. Asian countries remain largely in the original equipment manufacture business, leaving the design and huge marketing efforts to the big multinational toy companies.

This should protect them from some of the wilder swings in an industry known for its faddish nature. Another problem is the colony's lax financial arrangements; last year huge losses were sustained after several big orders were completed for US toy companies without letters of credit or export.

This has been a solid, rather than spectacular year for the industry, largely because the big US toy makers have failed to come up with products to match the success of Cabbage Patch dolls. But fears of a collapse in consumer spending and the start of a recession after the equities crash of October 1987 have so far failed to materialise, and toys continue to provide Asia's buoyant economies with a major source of their export revenues.

Michael Marray

ADVERTISING

Dangers of excess

FIRST IT was the tobacco industry; now it is the drinks trade. Will it be the fate of the toy manufacturers to be the next victim of the "clean up advertising" brigade?

Toys and games companies are increasingly worried that further restrictions in the way they market their products, especially in their use of television advertising, are in the pipeline.

What irritates them is that they already abide by an extensive and well regulated code of practice (which takes up about a fifth of the Independent Broadcasting Authority's total guidelines on what is permitted in broadcast advertising), and that, in practice, there are few actual complaints about toy advertising. On average the IBA receives three a year in a sector which annually spends £30m on TV promotion. An issue is being developed based on very meagre grounds for concern.

On top of the code of practice, which has not needed to be changed for many years, additional curbs have emerged in recent months. TV-am, the breakfast-time franchisee which is having a hard time with the IBA generally, has been forced to cut the amount of toy advertising it carries to 15 per cent. It had become popular with the manufacturers because it delivered a young audience – a quarter of its viewers are under 15 – and at a good time of the day. Given the vulnerability of TV-am, it went along with the IBA's suggestion – but does it set a precedent?

Toy manufacturers also think that their creative approaches, already regulated, are being subject to intensified interference. Lego had devised an international advertising campaign, but commercials happily transmitted throughout Europe were found "unrealistic" and sent back for revision by the TV vetters at the Independent Television Contractors Association.

The toy trade is particularly incensed that companies marketing other products aimed at children, from hamburgers to shoes, can get away with exciting their youthful desires in their commercials to a degree that is impossible for them, given their special restraints.

For the IBA this is all a lot of fuss about nothing. No more toy campaigns are being rejected than in the past; the code has not changed and there are no plans to tighten up the rules. Perhaps developments in the toy trade are throwing things into sharper focus, in particular the greater sophistication in toy advertising.

These days companies adopt a more subtle and creative approach, using fantasy effectively rather than the hard sell. This can cause the ITCA some head-scratching, anxious as it is to ensure that the advertising does not exploit the natural credulity of children. It could well be that what advertising agencies consider to be their brilliant new ideas are being subject to carping from the ITCA, wrestling with a reaction to this new format.

Toy companies think that their creative approaches are being subject to more interference

Other innovations from the manufacturers could also contribute to the current confusion. Toys travel well: successes in the US more often than not thrive in Europe. So toy advertising is becoming multinational, and American campaigns are transported without change to the UK. Strict controls in the US mean that the ITCA does not have to reject them, but seeing the market as global might exaggerate any insular preoccupations of the British watchdogs.

A bigger foreign threat comes from the European Community, which tends to be more bureaucratic than the UK. Already toy advertising is banned in Greece, and, although this carries no weight in other EC member countries, manufacturers are running scared of some sudden directive from Brussels which establishes the most stringent advertising controls of one member as the standard for all. There is an element of paranoia, which bears little relation to the fairly stable basic situation.

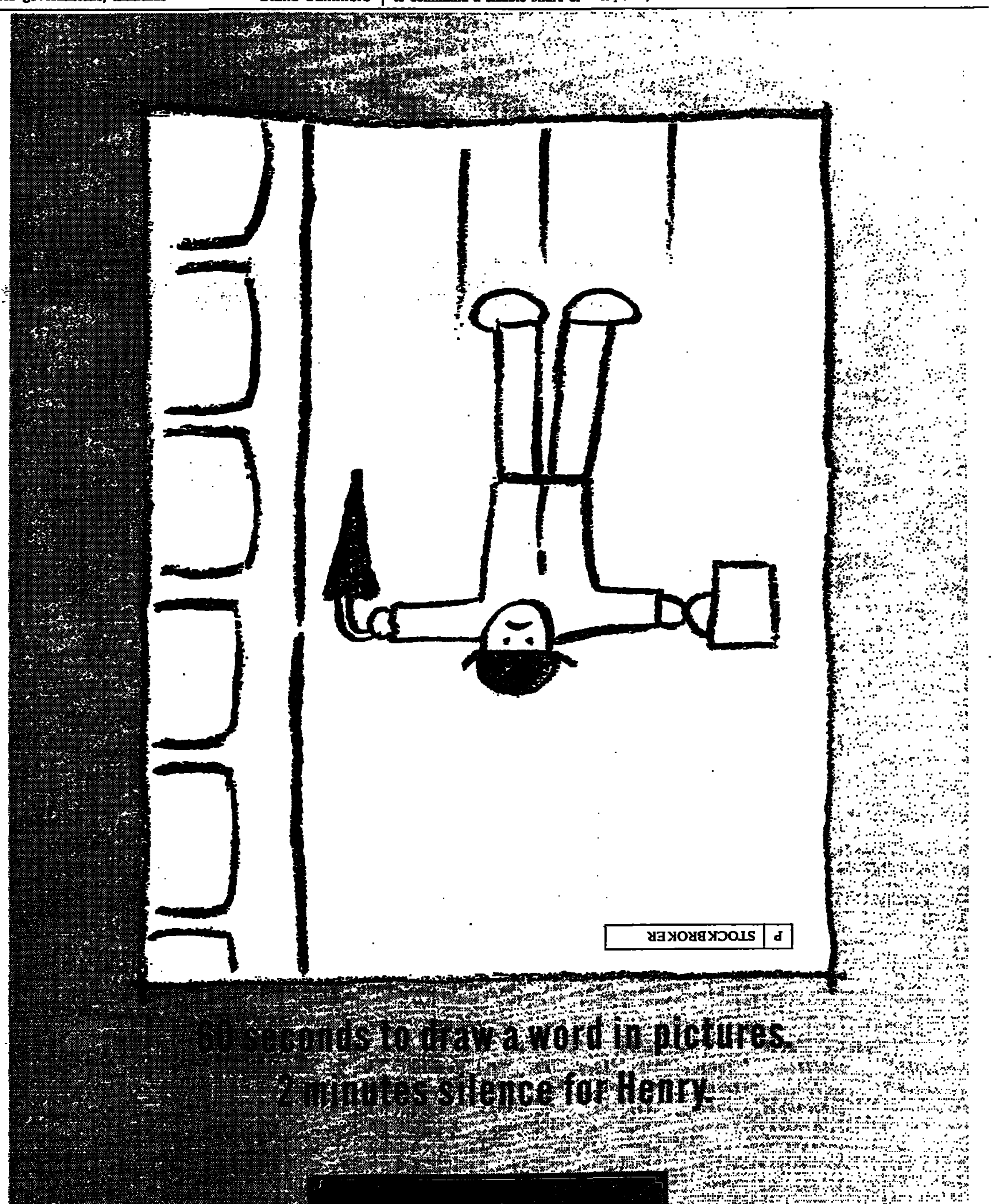
Like many other companies, toy manufacturers are more likely to shift from television because of its cost rather than because of its restrictions. Rae Porter, of San Serif, which markets Trivial Pursuit in the UK, and has recently launched its own games, like Uhi, says: "TV campaigns are not the best use of the budget. Sometimes large-scale on-pack offers have a greater reach. You can't really explain a game on television. Our approach is a mix of promotions, print, PR and some prompt TV advertising."

Phil Strachan, of Fisher-Price, mentions the sophistication of children, who are much more worldly-wise about TV advertising than many manufacturers and the ITCA give them credit for. "We maintain that children taught us all we know. Children model themselves on someone close, and our toys and our advertising therefore mirror what already exists rather than seeking to lead or initiate change."

Toy advertising has become part of the wider concern about how we treat children. No one agrees that they should be protected, but that they should be able to enjoy the innocence of their age. Anyone reading the TV advertising guidelines would realise that the broadcasting authorities take seriously their commitment to commercials that encourage good behaviour, do not raise too-high expectations or take advantage of a child's credulity. Since 1976, the price of toys has had to be mentioned to reduce the badgering of parents for unobtainable goodies.

Advertising is carrying some of the flak for more sinister abuses of children now being publicised, and the trade has over reacted to the criticism. Calm nerves are needed to prevent current misunderstandings developing into an unwanted and unnecessary conflict.

Antony Thorncroft



The new game from Parker.

Manufactured and distributed by Kenner Parker Tonka, Hargrave House, Belmont Road, Maidenhead, Berks. ©1985 Pictionary Inc., Seattle, Washington 98109.

PARKER

CHARACTER TOYS

Fashion whims mean volatility

ONCE UPON time (in 1983) there was a "loathsome range of small pastel-coloured ponies" (to quote one guru of the toy trade) which everybody (apart from Hasbro Industries which was launching it) thought would flop.

Five years later, My Little Pony – for that was the "loathesome" toy – is still the number one toy for girls, in spite of numerous copy-cat toys having been launched by rival manufacturers.

My Little Pony is one of the classic marketing successes of the 1980s toys and games market – a product which has helped make the "character" toy sector (also known as "collectables") one of the most important for the trade as well as one of the most fickle.

Character toys range right across the spectrum of the toys market, but broadly involve a recognisable character which can be collected in different formats in addition to accessories which enhance the role-playing value of the toys.

They have been popular for many years – Action Man, for example, is the highly successful "doll for boys" which has been a perennial favourite. Dolls such as Sindy and Barbie can also be included in this category, because not only are the dolls collected but they also rely on a range of accessories.

But the character of collectable toys really became established in modern-day toy mythology with the Star Wars ranges in the early 1980s. These toys had all the hallmarks of a classic collectable: a strong image derived from the film; a "good versus evil" confrontation; and a range of space hardware which could be extended according to available pocket-money.

Market Assessment, the market research company which has recently studied the toy market, estimates the value of the character toy market at just under £110m. It believes there are four distinct segments:

■Soft toys, such as Care Bears, Puffalumps, and Syvannian Families;
■Girls' collectables, including My Little Pony and Princess Power;
■Boys' collectables, such as Transformers, Masters of the Universe and Rambo;
■Keep-fit ranges, such as Get in Shape Girl.

Probably the main characteristic of this toy sector, however, is its volatility and reliance on the whims of fashion.

Peter Brown, managing director of Tomy (UK), points out that the success of Star Wars, My Little Pony, and similar toys has led to everyone jumping on the bandwagon. Over the past two years, toy companies have launched such character toys as Rats, Acorn Green, The Heart Family, Captain Brave Star, Gummi Bears, Wuzzles and Wrinkles.

"These products were launched with a huge amount of hype, large investments in television advertising, wide distribution in the trade and all, almost without exception, failed to justify the confidence of the trade," he says.

He suggests that launching a character concept on television is "rather like shovelling £50 notes into the boiler of a train to keep it driving. It is incredibly expensive, very ineffective, and very uncomfortable!"

Market Assessment's analysis of the sector indicates this volatility. Soft toy concepts really took off in 1987, it says, while girls' collectables crashed dramatically. Sales of boys' collectables, however, increased steadily, while Keep Fit dolls broke into the market from nowhere.

"We predict an overall decline in character range popularity over the next five years as saturation point is reached," it forecasts. "Completely new concepts will be required to grow the market, but with most manufacturers sticking to tried and trusted lines, perhaps the next battle of the superheroes will be He-Man versus the Grim Reaper!"

David Churchill

PRE – SCHOOL SECTOR

A slowly growing market

CHILDREN ARE growing up faster and the signs are that they want items other than toys – personal stereos and home computers, for example – at an ever-younger age. This trend is putting pressure on the upper age-ranges of the toy market and causing competition to intensify in sectors such as the pre-school market.

Demographic trends and increasing pressures on parents to provide an educational "head start" for their children (a factor the Early Learning Centre stores, for example, have benefited from) are enlarging the pre-school market. But there will be no bonanzas: growth will be steady rather than startling.

The sector can be divided into two parts: the market for infants' toys (up to 18-24 months); and toys for children over that age and up to about 6 years, which are mostly of the "play and learn" variety. A definition of the non-infant section of the market is particularly elusive – for example, character toys (like Wuzzles and Popples) are excluded by some market analysts, despite the fact they are bought in large numbers for children in this age group.

Whatever coherence the pre-school market possesses is based upon the fact that the key purchaser is the adult, rather than the child. This gives the market stability, and parents will tend to look for toys they recognise from their own childhood.

So what is the pre-school sector worth? In 1987 the market size in the UK was estimated to be £120-125m at retail selling prices. This is out of a total UK toy market of about £875m. According to the most specific definition, which entirely excludes soft toys, the infant market accounted for 16 per cent of the pre-school market last year.

Demographic trends favour the sector. A significant increase in the pre-school population is projected: nearly 14 per cent between 1986 and 1996, according to government statistics. This compares with an increase of less than 6 per cent in the 5-14 age group, and would indicate a strengthening of demand.

At a recent seminar on the future of the toy industry, Ms Fiona Stewart, from the Henley Centre for Forecasting, underlined these trends and injected a European dimension. "The situation over the next few years is more favourable for those of you with products aimed at the younger end of the market. There has been an upturn in the number of births since the early 1980s, a trend which is set to continue until the mid-1990s," she said.

"Moreover, the demographic situation in the UK is more favourable to the toy industry than the demographic situation over much of Europe. There the number of 0-4s in the population will continue to decline until the mid-1990s, with the exception of Austria, Germany, Greece, Ireland and Spain. Among 5 to 14-year-olds the situation is even worse, with many countries experiencing substantial declines. The only exceptions being the southern European countries of Greece, Portugal and Spain."

The clear implication is that the UK pre-school market will be increasingly attractive to other EC countries – especially as the move is made towards the single market in 1992.

Although the demographic picture is favourable, Market Assessment's report on the toy industry* forecasts a steady market in the pre-school sector over the next five years, with only minor fluctuations in market value. Recent growth is seen as sluggish: sales by value increased from £112.5m to £120.4m between 1985-87, an average annual increase of 3.5 per cent. When inflation is taken into account, the real value of sales declined slightly over that period.

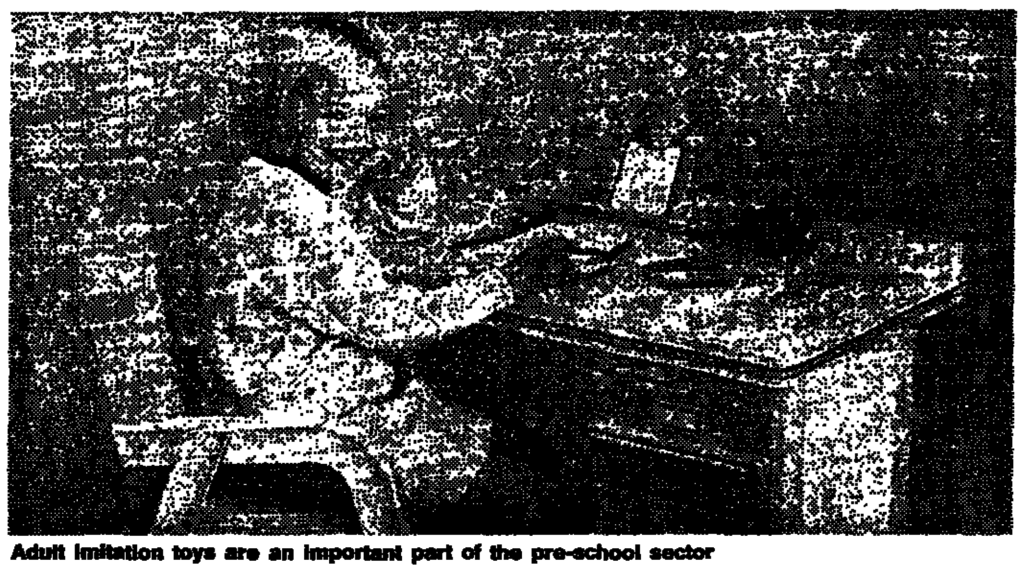
The degree of concentration of the UK market is very high, with four major companies holding a market share of 70 per cent between them. Fisher-Price Toys dominates the market, with close to 40 per cent. Ms Llinos Jonathan, the company's marketing manager, describes the pre-school sector as the most buoyant of the whole toy market. She says that press reports earlier this year implying that Fisher-Price was moving out of the sector had misrepresented the situation. "We remain firmly a pre-school company," she says, although she agrees there is a push to expand up the age-range.

Kiddicraft, number two in the market but some way behind Fisher-Price, claims 17 per cent. Like Fisher-Price, they have specialised in pre-school toys. Tomy (UK), a subsidiary of the Japanese Tomy company, takes 15 per cent, and Hasbro Bradley – a leader in the toy market as a whole – has 10 per cent of the pre-school market. Its range is marketed under the brand name of Playskool and, in an attempt to increase its share of this segment, the company is promoting a substantial number of new lines this year.

But will new lines in the sector as a whole take account of the increasing sophistication of today's toddlers – might the infant personal organiser, with pocket money calculator charts and birthday party year-planners, hit the market in the near future? On the contrary, Ms Jonathan, among others in the business, predicts a move back to more traditional toys.

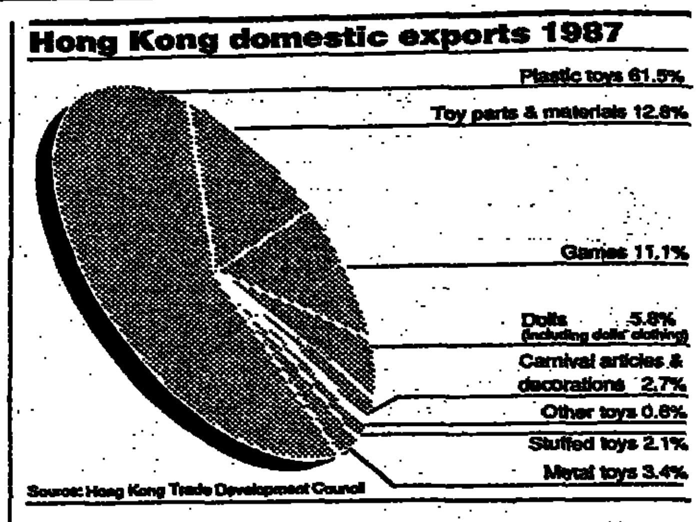
Mr Peter Brown, managing director of Tomy (UK), recently underlined the point. At a seminar organised by Nielsen Marketing Research he reported a conversation that he had had recently with a retailer. The retailer had asked him to guess what his best-selling product had been that week. "I stumbled around the obvious products: Ghost Busters, Transformers, My Little Pony, and each time he shook his head. There I was the typical marketing man, not even knowing what was actually selling to the consumer," said Mr Brown. The best-selling product that week had turned out to be sand.

Diane Summers



Adult imitation toys are an important part of the pre-school sector

Hong Kong domestic exports 1987



Source: Hong Kong Trade Development Council

ELECTRONIC GAMES

Consolidation in Hong Kong

WHEN TEDDY Ruxpin and the Cabbage Patch dolls were at the peak of their popularity, Hong Kong toy manufacturers were at the forefront of those winning huge production orders.

However, those halcyon days came to an abrupt end last year, with companies like Coleco and Worlds of Wonder encountering trouble and the colony's manufacturers sustaining losses totalling hundreds of millions of Hong Kong dollars. This year has been one of consolidation, with lower margins and more traditional toys re-emerging and helping to put the local industry back on its feet.

"We are back to traditional items," says Mr Robert Li, managing director of RJP Electronics. "We are concentrating on the mid-price range," he explained, noting that toys with a retail price exceeding $50 were currently proving poor sellers.

Mr Li said that RJP had produced two popular items this year, an electronic keyboard and an educational toy with liquid crystal display which helps children learn to spell.

"We are staying in basic, non-electronic, high play value toys," says Mr Francis Chiu, managing director of Galco International Toys. He said that two of the items which had been successful for the company this year were its Micro Machines small-scale car replicas, and its range of battery operated bouncing baby dolls. Video games operated via a joystick, and other games which may be used in connection with TV or video, are also popular this year.

Hand-held video games in the low price range, which have been around for four or five years, also remain popular.

Video Technology Electronics manufactures items such as Spaceblaster and Pinball Wizard, the latter a hand-held liquid crystal version of the old pinball machines.

The Golf Challenge game, from Bit-Inn, allows users to simulate wind conditions and choose a club before teeing off for a round of golf, all in the comfort of an armchair. At the more expensive end of the market, Spectravideo International produces a sound-mixing console with microphone and sound-mixing features.

Mr Edmund Young, vice president of Perfekta Enterprises, says the move back to basic toys means reduced profit margins for manufactures. However, it has resulted in a steady stream of orders this year.

"The Hong Kong toy industry is still basically concentrated on original equipment manufacture (OEM)," says Mr Young, although there was an element of local design on behalf of customers who submitted basic concepts while leaving the details to Hong Kong manufacturers. In addition some local manufacturers are also designing and marketing their own toys.

This year there has been a continuation of the trend towards relocating manufacturing to China, a move which originally began as a way of cutting labour costs but has now become a necessity because of Hong Kong's acute shortage of labour.

The colony's domestic toy exports were down 19 per cent in value during the first eight months of this year, but re-exports have been soaring, as goods processed in China by Hong Kong-owned companies transit through the territory

Michael Marray

Beaming children all over Britain.

In the near future, homes across Britain will be able to receive brand new television stations. Not just via cable, but directly from space. One of them will be "The Children's Channel."

That's good news for children.

It's also good news for the toy industry.

Spiralling television costs have made a highly competitive toy industry even more difficult for manufacturers. And, the only way to hold down the price of commercial airtime is competition.

At "The Children's Channel" we have been competing successfully with the Goliaths of ITV for four years. A recent AGB survey of our audience showed that we were more popular amongst children than any other station, satellite or broadcast.

That success was not achieved with a diet of wall-to-wall cartoons but with a schedule which treats children as individuals. This Autumn's programmes embrace for example, drama, wildlife, science and a whole section for pre-school children.

Within five years, it's been predicted, around 50% of homes in Britain will be watching satellite channels. "The Children's Channel" will be part of that success.

Join us in 1989 and together we can share that success.

Together we can.

The Children's Channel

BOARD GAMES

In pursuit of trivia

MANUFACTURERS and retailers of board games owe a lot to the yuppie phenomenon of the 1980s. Demand for board games had slumped in the previous decade when electronic and video games were all the rage and board games seemed old-fashioned.

But all that changed in the early 1980s when three Canadians conceived Trivial Pursuit, a board game which will go down in the annals of the toy trade along with the all-time greats of the market such as Monopoly and Scrabble.

Trivial Pursuit, a game combining general knowledge skills and social interplay, came on the market just when people were tiring of video games.

At the same time, the rise of the upwardly-mobile young adults created a market for after-dinner adult games that were fun to play but not too intellectual; Trivial Pursuit fitted like a glove.

Its success has turned the moribund boxed board games market into one of the largest and fastest-growing sectors of the toys and games market. The overall market – covering board games, dice, cards, and jigsaw puzzles – was worth some £127m last year at retail selling prices.

In simple value terms, the market has grown by just over 9 per cent over the past two years – or by over 5 per cent after taking account of inflation.

Figures from the British Toy and Hobby Manufacturers Association show that indoor games (mainly board games) have increased their share of this sector from 81 per cent by value in 1985 to 86 per cent last year. Jigsaws, however, have seen their share fall back from 19 per cent to 14 per cent.

BTHMA figures also show that mail order was the most significant distribution outlet for board games, although this was largely due to the inclusion of the Argos catalogue shopping chain being included in this category.

Trade industry figures also show that Trivial Pursuit was the top selling board game by value and volume last year, and was also in the 1987 top five list for toys and games as a whole.

Major players in the UK market are Milton Bradley, Waddington, JW Spear, and Kenner Parker Tonka – which distributes Trivial Pursuit under licence from Serif Games (now part of the Serif Cowells Group).

Together these top four companies account for about four-fifths of the board games market with the balance shared by about 100 other companies.

The huge success of Trivial Pursuit has led to a great rush by competitors to devise another winner. Among the multitude of board games launched in Trivial Pursuit's wake in America in the mid 1980s was Scruples – a game in which players are given the opportunity to ask embarrassing questions of each other. It was ideal yuppie material and was a big success in the US where it was marketed by Hasbro Bradley, the parent company of Milton Bradley in the UK.

But it was Leeds-based Waddington – famous for its board games such as Monopoly and Cluedo – which was offered first bite at Scruples in the UK. Waddington, however, turned it down, because the questions were too risque for the British market.

Milton Bradley, however, had no such scruples and happily launched the game with some success in the UK (it has now been turned into a TV quiz show).

Kenner Parker Tonka came back strongly in the market with Pictionary, described as a sort of charades on paper. Waddington also launched Ding-Bats – a word-play game described by the company as a "brainteaser which requires some lateral thinking."

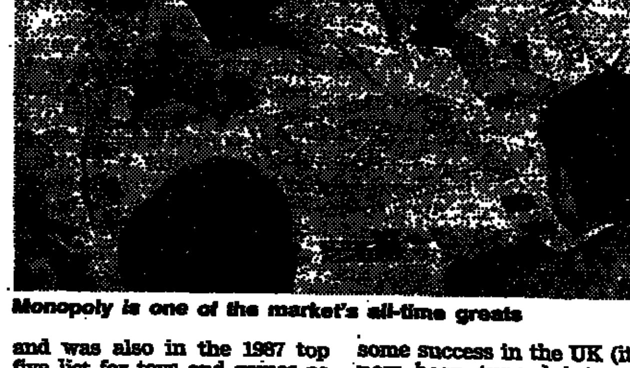
Not to be outdone, Milton Bradley recently brought out Therapy, a game which like Scruples relies on players asking intimate questions of each other.

Waddington has relied on more traditional measures to maintain its market strength, including the relaunch of Sorry and Scoop, the latter being centred on national newspapers. Newcomers to the market this year include publishers Random House, which has launched Quizzard, a quiz game which makes use of electronic buzzers similar to those on TV quiz shows.

The key question facing the sector, however, is whether the board games boom will continue.

Market Assessment suggests that the growing number of TV-inspired games – such as Blockbusters, A Question of Sport, and Bob's Full House – as well as City-based games, such as Stockmarket, may "signal the course the market will take over the next five years".

David Churchill



Monopoly is one of the market's all-time greats

TECHNOLOGY

Rapid access to telephone numbers

By Della Bradshaw

BUSINESSES in the UK will soon have a quicker and more efficient way to obtain telephone numbers than the traditional telephone directory or British Telecom (BT) directory inquiry system.

BT has just begun trials of a service called Phonebase, which allows a business customer with a personal computer and modem (which translates the analogue telephone signal into a computer signal) to communicate directly with BT's directory inquiry computer system. A full commercial service will begin next year.

Companies taking part in the trial are given an access number to communicate with the directory inquiry computer *and a password. They can dial* up the computer and search any of three databases: residential, business or government.

The lists of names and telephone numbers, which are displayed on the computer screen, are pared down by adding details of the address of the required company or individual.

A similar service, for both domestic and business subscribers, is already widespread in France, pioneered by France Telecom. Unlike the BT service, where the customers have to provide their own terminals, the French telephone company's package includes a Minitel communications terminal.

In BT's trial, customers pay only for the call time. They can remain connected to the BT computer and interrogate it all day.

BT has not yet issued the tariffs for its commercial service but it is expected to be a yearly usage charge, plus the cost of the calls. Larger companies are likely to install a dedicated line between their offices and the BT directory inquiry computer.

A big advantage of Phonebase over the paper directory is that it will be regularly updated.

By taking the heavy business users out of the dial-up directory inquiry system, BT hopes that smaller customers will receive a better service.

Where the dust never settles on a discovery

Louise Kehoe looks at the emphasis US companies place on *exploiting the commercial potential of scientific advances*

Silicon Valley is renowned for the mushrooming of start-up companies. Less widely recognised, however, as a factor in this Californian area's development into a centre of high-tech innovation is the pace at which new technologies are transferred from laboratory to commercial production.

The ability to bring new products to market in record time is becoming increasingly critical as product life-cycles shorten and the costs of development rise.

This acceleration of the move from "lab to fab" is driven partly by the eagerness of venture capitalists to take profits from their investment and partly by need for a revenue stream at the fledgling ventures.

Applying the Silicon Valley formula to superconductivity, Conductus Inc of Palo Alto, aims to be the first to market superconducting computer microchips. These devices would be faster than conventional semiconductor chips and could become the building blocks of a new generation of high performance computers.

Conductus was formed in September last year by West Coast venture capitalists, who put together a business plan and then attracted a group of scientists from Stanford University and the University of California at Berkeley to lead the work.

The company will focus on achieving economically viable electronics applications of the new "high temperature" superconductors discovered only two years ago but already the subject of an intensive research effort world-wide, particularly in Japan. Conductus is less interested in setting records for the temperature at which materials lose their electrical resistance and become superconductors.

"This is going to be the first test case of which works better, the American entrepreneurial style or the Japanese collaboration of big organisations," says Jack Wilson, a vice president at Dataquest, the market research organisation.

Conductus has received a boost that will provide it with some of the advantages enjoyed by large corporations, while preserving its independent spirit, with the acquisition of 15 per cent of its equity by Hewlett-Packard, one of Silicon Valley's largest companies.

The investment, understood to be about $5m (£3m), will increase Conductus's capital to about $11m. That will be enhanced by equipment loans and Hewlett-Packard's internal research funding for superconductivity. The two companies will share scientific projects, personnel and resources.

Digital interactive video, a combination of desk-top computing and video recording, is another example of a technology being hastened from laboratory to market. Intel Corporation, the microprocessor manufacturer which last month acquired the Digital Video Interactive Technology Venture from General Electric, is developing low cost chips to implement video compression technology. This should open up markets for computer add-on products and eventually for a new range of consumer electronics goods.

DVI is a means of storing and replaying full motion video on a computer. It can be added to the audio, graphics and text display capabilities of a personal computer (PC). In the short term, it is seen as a lower cost, higher performance alternative to the analogue laser disks (video disks) used in training and education. Eventually, however, it is expected to spread to all sorts of information and entertainment systems.

Potential uses of DVI might include a mail order "catalogue" incorporating videos of the goods offered, or a travel brochure with videos of resorts. In education, a video recording of the performance of a play could be interleaved with the text and with information about the writer.

By 1990, Intel expects to bring DVI to the price levels demanded by consumer applications. In the home, several possibilities exist. For example, DVI instructions on how to use a 35mm camera would allow the images to be manipulated to simulate focus, composition and lighting. A gardening instruction program might allow the user to practise pruning a rose bush without butchering the real thing.

The key to the technology is the ability to compress digital information. A motion video requires the display of 30 frames per second and each frame would normally contain several megabytes of data. Without compression, a CD-Rom could record only about 30 seconds of digital video.

Using special algorithms, however, DVI compresses video so that each second of motion takes up only 150 kilobytes of storage space on a computer disk, enabling a CD-Rom to hold up to one hour of video.

When the video is played back on a PC, Intel's DVI chips will decompress the data, recreating the original motion pictures.

Next year, the company plans to introduce add-on circuit boards for PCs. By 1990, it expects to have completed the development of a low cost DVI chip set.

In Europe, Philips claims to have established a de facto standard in this area with its CDI (compact disc interactive), on which it has been working with Sony of Japan and Microsoft, the US software company. Several publishers are interested and Grolier, the encyclopedia company, has taken a CDI licence. Philips plans to show a prototype consumer product before the end of this year.

Eagle eye

Has glasnost reached Silicon Valley? While recently reported US-Soviet ventures in PC manufacturing demonstrate a warming of relations, deeply held suspicions that the Soviets are out to steal US technology remain.

Silicon Valley is strictly out of bounds for Soviet diplomats. Even casual contact with representatives of the Eastern Bloc by high-tech employees is strongly discouraged by most big corporations.

Increasingly, however, many in the PC industry feel that they are missing an opportunity to sell to a new market. Some are convinced that their European and Japanese rivals will take advantage of less stringent export controls to win lucrative orders from the Soviet Union.

Despite the recent liberalisation of US rules regarding the selling of computer equipment to the Eastern Bloc and the lifting of embargoes on most PC exports, US companies must still pick their way through a mass of red tape in order to ship PC equipment or software to a Soviet customer.

US high-tech companies venturing across this new trade frontier also face the prospect of close monitoring by US intelligence agencies and the perceived, if not real, threat of retaliatory action. FBI counter espionage agents routinely question US high-tech executives after business trips to the Soviet Union. The CIA is also active in protecting technology secrets.

One US computer company that has nevertheless persisted in attempts to sell to the Soviets is California Microelectronic Systems (CMS). After three years of negotiation, the trade consultancy group is about to open a showroom in Moscow, through which it aims to sell US PCs and related equipment.

Now that a formal agreement has been signed by the Soviet Academy of Science, CMS plans to open the Moscow centre by the end of the year. Others will follow in Leningrad, Novosibirsk, Perm, Toliatti and Tallinn. Each will provide an opportunity for the Soviets to view if not the latest, then at least widely used PC hardware and software from the West.

CMS is negotiating agreements to represent US manufacturers of computers, printers, peripherals, monitors, power supplies and local area network systems. First to sign up as a supplier is Hercules Computer, maker of add-on video enhancement circuit boards for PCs.

"We recognise that the Soviet Union represents a huge potential market for our products," says Nancy Scott, who heads international marketing at Hercules. The company's video boards support specialised fonts and multilingual characters, which will allow Soviet software designers to develop programs using Cyrillic characters.

CMS aims to attract orders from Soviet Government ministries, import/export agencies, collective farm complexes, factories and other enterprises.

The market for computer memory chips, worth more than $3bn and currently dominated by Japanese semiconductor manufacturers, could be reshaped by a new technology that promises to yield faster, cheaper and non-volatile Dynamic Random Access Memories (D-Rams).

Using ferroelectric materials, Ramtron Corporation of Colorado Springs, a subsidiary of Ramtron Australia, is developing a four megabit D-Ram, which can store four times as much data as the memory chips now available. Ramtron has reached an agreement with NMB Semiconductor of Japan to collaborate in the development and manufacture of these chips.

Ferroelectric materials can be polarised by an electric current. This property can be used as a binary data storage medium in much the same way as magnetic disks or tape.

Ramtron has developed ferroelectric data storage devices that are electrically compatible with standard semiconductor components, providing a potentially exciting new technology for memory chips.

The "ferro" memory chips are easier and cheaper to manufacture than standard semiconductor D-Rams, industry experts say. They also have the advantage of being non-volatile, which means that they do not lose data when the power supply is turned off. Today, non-volatile memory chips are more complex and more expensive than standard D-Rams.

A four megabit, non-volatile D-Ram could eventually replace several types of memory chip currently used in computer systems.

Screenplay for the longhand writers

By Paul Abrahams

WANG Laboratories, the US computer company, yesterday announced the introduction of the first part of a new personal computing system.

Wang claims that the system, called Freestyle, will revolutionise the way organisations handle documents.

The system enables users to write in longhand on documents shown on a computer screen. They use a light pen on a plastic pad to make notes that appear at the cursor point on screen. Voice comments can also be simultaneously recorded. The revised text and commentary can then be transmitted through electronic mail.

Future developments of the Freestyle system include a tool kit to allow the storage of Freestyle documents in databases that use software supplied by other companies.

Wang says it intends to integrate Freestyle into its own imaging system in the spring.

The company believes the product will be particularly attractive to managers who have proved unwilling to learn keyboard skills.

Freestyle will work on any high resolution AT monitor or standard resolution black and white Hercules screen.

The system has been tested at the Westinghouse Trading Company (WTC), a Massachusetts-based department of Westinghouse Electric.

Harry Bolan, technical products manager at WTC, says: "With voice integration, our trading specialists, who travel frequently, can produce messages comprised of voice annotated documents and images that have the effect of face-to-face meetings."

The basic system, which includes a plastic tablet, pen and software, costs $1,995 (£1,100). The voice module is $1,495 and the scanner $2,550, although Wang says that only one scanner is needed per work group.

Freestyle is expected to be available in the US in January and in Europe by April.

Wang believes that Freestyle will show that the company has retaken the initiative as an innovator. Sales of their dedicated word processing systems have recently slowed.

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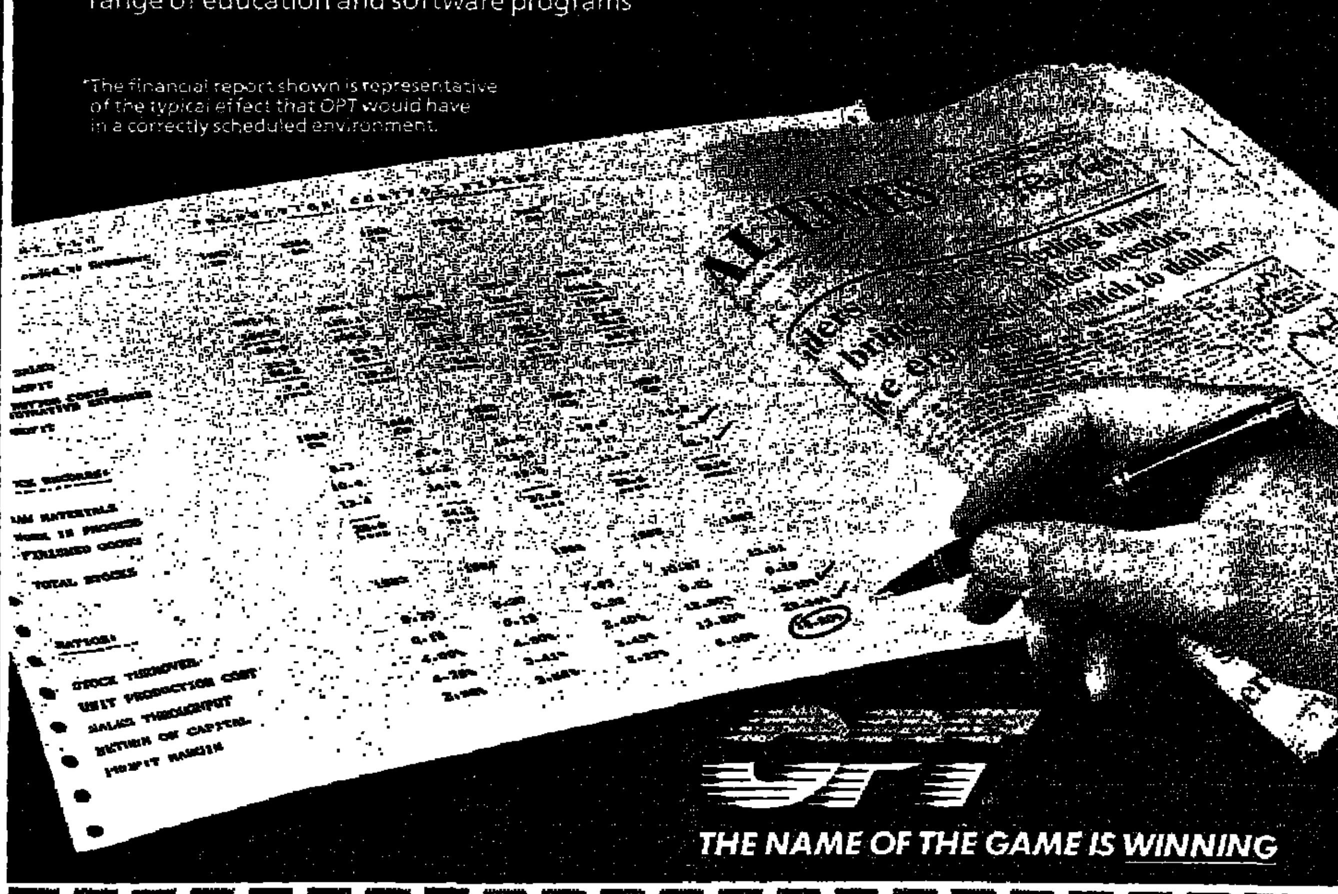

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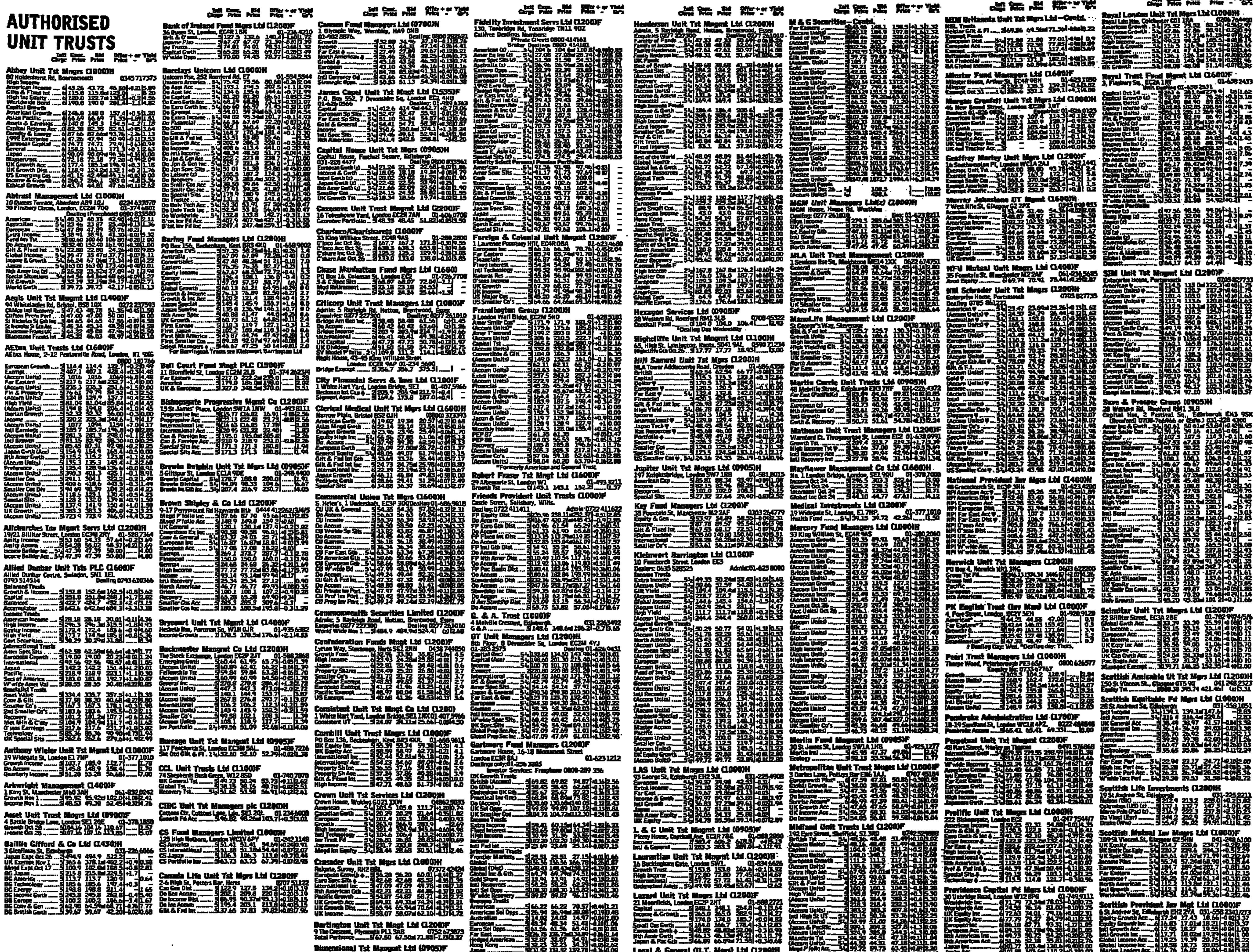

CROSSWORD

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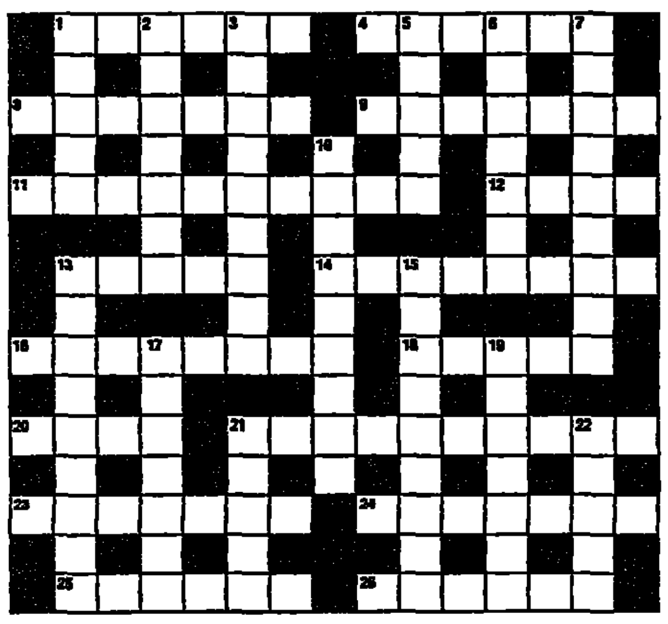

ACROSS

1 Stir by subtle means (6)
4 The French examination – the final (6)
8 Ideal characters found accepting an honour a problem (7)
9 Separating if in smart environment (7)
11 In favour of giving up the file (10)
12 A *stake* providing support (4)
13 Country scholar after back-massage (5)
14 A scientist bearing in a mug (8)
16 Shut up about money required for a bit of building (8)
18 The weapon of a novice in general (5)
20 Hash is available in the canteen (4)
21 Tiny flowers possibly matter less (10)
23 Try a little meat temptingly presented (7)
24 The drop-out appearing in black and white will be copied (7)
25 Official report about a new tendency (6)
26 Monstrous female Greek absorbed in love letter (6)

DOWN

1 Rose trains and that is right (5)
2 A painter's jacket (7)
3 Hiding brilliance is a cover-up (4-5)
5 Strange article about a deliberately misleading story (5)
6 More weight to remove! (7)
7 Fruit of Argentine origins (9)
10 Many churchmen are men with businesses to run (9)
13 The warder, a striker, keeping the price up (9)
15 Grant Iran arranged – it could be telling (9)
17 Little page, framed by a crawler, making check (7)
19 Leaves gaol if set free before mid-September (7)
21 Taste drink with some hesitation – find it excellent (5)
22 Bearers of 19 down in the centre establishing their claim (5)

Solution to Puzzle No.6,774

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ – 0001 to 1100 hours; ♠ – 1101 to 1400 hours; ♣ – 1401 to 1700 hours; ♦ – 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

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TSB American	5	98.12	98.12	104.36	+0.40	2.14
Do Accum	5	105.31	105.31	112.01	+0.43	2.14
TSB Brit.Growth	5	55.08	55.08xd	58.60	−0.33	3.23
Do Accum	5	57.64	57.64xd	61.32	−0.34	3.23
TSB European	5	52.95	53.10	56.49	−0.23	1.09
Do Accum	5	54.39	54.55	58.03	−0.24	1.09
TSB Extra Income	5	147.29	149.07	158.58	−0.31	5.72
Do Accum	5	190.13	192.42	204.70	−0.39	5.72
TSB Smaller Cos	5	54.28	54.28	57.74	−1.67	1.19
Do Accum	5	55.25	55.25	58.78	−1.69	1.19
TSB General	5	179.94	180.38	192.84	−0.68	3.27
Do Accum	5	311.45	312.79	332.06	−1.20	3.27
TSB Gilt & Fxd Int	3¼	47.91	47.91xd	49.54	−0.10	8.89
Do Accum	3¼	73.50	73.50xd	76.01	−0.15	8.89
TSB Income	5	269.94	271.44	288.77	−0.60	4.84
Do Accum	5	451.21	453.72	482.68	−1.00	4.84
TSB Pacific	5	206.79	207.86	221.13	+0.28	0.32
Do Accum	5	215.00	216.12	229.91	+0.29	0.32
TSB International	5	320.70	320.70xd	342.38	+1.49	0.87
Do Accum	5	405.27	405.27xd	432.42	+0.56	0.87
TSB Nat Resources	5	60.52	61.25xd	65.16	+0.20	1.40
Do Accum	5	64.09	64.87xd	69.01	+0.20	1.40
TSB Stcud Opps	5	80.45	80.97xd	86.08	−0.52	2.32
Do Accum	5	91.85	92.44xd	98.29	−0.60	2.32

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin. 0296 394000 Dealing: 01-379 0860

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
American Eagle	5	63.42	63.42	67.70	−0.69	3.08
Australia	5	7.470	7.470	7.981	+.006	0.10
Commodity	5	76.04	76.04	81.87	+0.09	0.61
Convertible	5	144.1	144.1xd	154.7	−0.4	4.94
Equity	5	155.3	156.5	167.2	+0.3	3.12
Euro Spec Sits	5	83.70	83.70	89.97	+0.23	1.51
Financial	5	30.67	30.67xd	33.21	−0.27	2.05
Global Opps Inc	5	55.45	55.45xd	59.76	+0.22	0.63
Global Opps Acc	5	55.45	55.45	59.76	+0.22	0.63
Gold Income	5	45.72	45.72xd	49.05	−0.23	0.00
Gold Acc	5	84.21	84.21	90.34	−0.40	0.00
Income	5	105.8	105.8	114.2	+0.5	4.44
Japan	5	122.3	122.3	131.7	+1.1	0.00
Pacific Inc	5	112.7	112.7	121.6	+0.7	0.06
Pacific Acc	5	139.8	139.8	150.8	+0.8	0.06
Preference Share	5	24.70	24.70xd	26.65	+0.04	7.51
Special Sits	5	93.58	93.58	100.2	—	1.46

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Amer Expt Nov 2	39.2	40.7	−1.3	2.28
Euro Expt Nov 2	42.7	44.8	+0.4	2.46
Fixed Int. Ex Nov 2	49.9	52.3	+0.3	9.6
Japan Expt Nov 2	54.2	56.4	+1.1	0.45
Managed Ex Oct 27	39.2	40.7xd	—	4.43
SE Asia Expt Nov 2	34.6	36.3xd	−0.9	1.95
Sm Cos Expt Nov 2	43.9	46.0xd	+0.1	3.47
UK Eqty Ex Nov 2	36.1	37.9	+0.3	4.17

New Court Property Fund Managers

	Bid Price	Offer Price	+ or −	Yield Gross
NC Property	191.5	209.3	—	—

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
PDFM Smll Co Fd Oct 31	815.0	861.0	−29.0	3.85
Do Accum	842.0	889.0	−30.0	3.85
PDFM Int Expt Oct 27	127.2	129.3xd	—	2.76

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Intl Exempt	93.66	94.73xd	—	2.92

INSURANCES

AA Friendly Society
Investment Mngt. M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
AA Friendly Sy Oct 14	—	142.9	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or −	Yield Gross
Prop. Ser. 1	259.5	273.0	+0.2	—
Equity Ser. 1	115.9	122.0	+0.1	—
Prop. Acc. Ser 2	387.1	407.7	+0.3	—
Equity Ser 2	131.5	138.5	+0.1	—
Selective Acc.	299.5	315.3	+0.3	—
Prop. Ser. 4	307.8	324.0	+0.2	—
Equity Ser. 4	135.2	142.4	+0.1	—

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	55.2	58.2	+0.1	–
Stock Market Magd Fund	52.9	55.7	+0.1	–
Equity Fund	57.1	60.2	−0.1	–
International Fund	49.3	51.9	+0.3	–
European Fund	51.6	54.4	–	–
North American Fund	44.9	47.3	−0.3	–
Pacific Fund	59.6	62.8	+0.7	–
Property Fund	67.1	70.7	+0.6	–
Fixed Interest Fund	53.4	56.3	–	–
Index linked Sec Fund	54.4	57.3	+0.4	–
Deposit Fund	54.6	57.5	–	–
NUAM Retirement Plans				
Mixed Fund	58.7	61.8	–	–
UK Ordinary Share Fd	66.2	69.6	−0.1	–
International Fund	50.4	53.1	–	–
Property Fund	65.5	68.9	+0.7	–
Fixed Interest Fund	57.6	60.6	−0.2	–
Index Linked Sec Fund	55.3	58.2	+0.4	–
Deposit Fund	58.8	61.9	+0.1	–
NUAM (MF)				
Managed Fund	753.8	793.5	+2.0	–
Equity Fund	1492.0	1570.6	−1.3	–
Property Fund	418.9	441.0	+4.2	–
Fixed Interest Fund	394.9	415.7	+0.2	–
Deposit Fund	223.6	235.4	+0.1	–
International Fund	128.4	135.2	+0.8	–
Index Linked Sec Fund	54.6	57.5	+0.4	–

Norwich Union Life Insurance Soc.

PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Pensions				
With Profits Fd	107.49	113.14	+0.04	–
Managed Fd	118.64	124.88	+0.04	–
UK Equity Fd	122.43	128.87	−0.11	–
International Fd	119.78	126.08	−0.03	–
European Fd	116.63	122.76	+0.02	–
North American Fd	114.01	120.01	−1.41	–
Pacific Fd	113.65	119.63	+1.77	–
Property Fd	119.09	125.36	+1.37	–
Fixed Int Fd	102.04	107.41	−0.20	–
Intl Bond Fd	106.37	111.97	+0.13	–
Bldg Soc Dep Fd	102.64	108.04	+0.09	–
Pensionvestor & Unit-Linked Plus				
Fixed Interest Fund	287.5	302.6	+2.5	–
Index-Linked Sec Fund	155.9	164.1	+2.5	–

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Pacific Initial		59.5	(z)	–
Technology Initial		80.9	(z)	–
Nat Resources Initial		47.1	(z)	–
Japan Growth Initial		185.3	(z)	–
European Initial		73.1	(z)	–
Residential Prop Init		117.2	(z)	–
Swiss Equities Initial		33.7	(z)	–
Hong Kong Initial		43.0	(z)	–
UK High Inc Eq Init		61.9	(z)	–
Int Fixed Interest Init		49.6	(z)	–
Int Managed Init		47.2	(z)	–
Broker Fund				
Towerhill Magd Fd Acc	47.1	49.6	(z)	–
High Performance	61.7	65.0	(z)	–
YRA Executive Fd	78.1	82.3	(z)	–
Investment Master		38.6	(z)	–
H F. Speculator Fd		112.4	(z)	–
£ High Inc Money Fd		103.3	(z)	–
£ Global Growth Fd		103.3	(z)	–
PEP Acorn II		101.7	(z)	–
AAFS Int Man Fund		100.7	(z)	–
Individual Pension Funds				
UK Equity Acc	210.6	222.2	(z)	–
UK Fixed Interest Acc	164.0	173.0	(z)	–
Intl Equities Acc	167.9	177.2	(z)	–
UK Managed Acc	152.4	160.7	(z)	–
Property Acc	187.2	197.5	(z)	–
Money Acc	114.8	121.1	(z)	–
Special Market Acc	134.6	142.0	(z)	–
Japanese Acc	218.1	230.1	(z)	–
North American Acc	108.8	114.8	(z)	–
Pacific Acc	134.0	141.4	(z)	–
Technology Acc	129.4	136.6	(z)	–
Natural Resources Acc	90.7	95.7	(z)	–
Japan Growth Acc	254.2	268.2	(z)	–
European Acc	89.1	94.0	(z)	–
Residential Prop Acc	124.2	131.1	(z)	–
Swiss Equities Acc	33.6	35.5	(z)	–
Hong Kong Acc	42.4	44.8	(z)	–
UK High Inc Equ Acc	65.9	69.6	(z)	–
Int Fixed Interest Acc	50.3	53.1	(z)	–
Int Managed Acc	47.2	49.7	(z)	–
Broker Fund				
Towerhill Mgd Pen Acc	39.8	41.9	(z)	–
Group Pension Funds				
Equity Acc	623.5	642.8	(z)	–
Fixed Interest Acc	456.1	470.3	(z)	–

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MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

IoM AUTHORISED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	99	Treas 11½pc 1989	99		11.51	11.51
101	98	Treas 9½pc Cnv 1989	99		9.58	11.42
97	95	Treas 3pc 1989	97xd		3.09	8.50
102	99	Treas 10½pc 1989	99		10.57	11.54
102	98	Exch 10pc 1989	98		10.11	11.52
103	99	Exch 11pc 1989	99		11.03	11.27
97	94	Treas 5pc 1986-89	96		5.19	9.14
104	98	Exch 10½pc Cv '89	100xd		10.23	10.10
107½	102	Treas 13pc 1990	102		12.08	10.59
104	100	Exch 11pc 1990	100		10.95	10.53
107	102	Exch. 12½pc 1990	102		12.19	10.60
93	90	Treas. 3pc 1990	92xd		3.55	8.54
99	95	Treas 8¼pc 1987-90	97		8.50	10.26
102	95	Treas. 8pc Cv 1990	99		8.04	8.31
103	98	Treas. 10pc Cv 1990	99		10.08	10.45
91	87	Exch 2½pc 1990	89xd		2.80	8.30
107	101	Treas 11¾pc 1991	102		11.46	10.39
95	90	Funding 5¾pc '87-91	92		6.24	9.43
90	86	Treas. 3pc 1991	88xd		3.41	8.38
105	98	Treas 10pc Cv '91	100		9.91	9.60
107	100	Exch. 11pc 1991	102		10.78	10.20
98	92	Treas. 8pc 1991	94		8.49	10.21
113	105	Treas 12¾pc 1992	107		11.90	10.05
104	98	Treas 10pc 1992	99		10.03	10.08
98	92	Treas. 8pc 1992	94		8.51	10.07
106	99	Treas 10½pc Cv 1992	101xd		10.36	10.04
86	82	Treas. 3pc 1992	84		3.57	8.16
112	104	Exch. 12¼pc '92	106		11.48	10.06
117	103	Exch 13½pc 1992	110		12.19	10.07
97	91	Treas 8¾pc 1993	94		8.78	9.99
105	97	Treas 10pc 1993	100		9.96	9.87
115	107	Treas 12½pc 1993	109		11.43	9.94
93	87	Funding 6pc 1993	88		6.78	8.98

Five to Fifteen Years

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
121	112	Treas 13¼pc 1993	114xd		11.99	9.99
101	91	Treas. 8½pc 1994	94		9.03	9.94
94	91	Treas 8½pc 1994 A	94		9.03	9.96
125	115	Treas 14½pc 1994	118		12.22	9.90
120	111	Exch 13½pc 1994	114		11.81	10.03
105	98	Treas. 10pc Ln. 1994	100		9.94	9.83
116	107	Exch. 12½pc 1994	110		11.29	10.00
101	93	Treas 9pc 1994	96xd		9.31	9.75
114	105	Treas 12pc 1995	109		10.99	9.97
83	78	Exch 3pc Gas 90-95	82		3.66	6.44
106	98	Exch. 10¼pc 1995	101		10.07	9.87
120	111	Treas 12¾pc 1995	114xd		11.15	9.88
126	116	Treas. 14pc '96	120		11.65	9.99
101	93	Treas. 9pc 1992-96	97		9.28	9.58
133	123	Treas 15¼pc 1996	127xd		11.98	9.96
123	114	Exch 13¼pc 1996	117xd		11.25	9.85

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
44	41	Consols 4pc	44		8.94	—
40	37	War Loan 3½pc	40xd		8.01	—
62	48	Conv. 3½pc '61 Aft.	62		5.60	—
33	30	Treas. 3pc '66 Aft.	32		9.16	—
28	26	Consols 2½pc	28		8.89	—
28	26	Treas. 2½pc	28		8.89	—

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
124	117½	Treas 2pc IL '90(84.6)	124		0.10	2.26
105	99	Do. 2pc '92(97.8)	105		2.00	2.79
96	92½	Do 2 '94(102.9)	96xd		2.75	3.23
141	127	Do. 2pc '96(67.9)	141		2.93	3.28
120	103	Do 2½pc '01(78.3)	120		3.26	3.50
117	101	Do. 2½pc '03(78.8)	117xd		3.35	3.57
120	102½	Do. 2pc '06(69.5)	119		3.43	3.61
112	95	Do. 2½pc '09(78.8)	112xd		3.43	3.60
117	99	Do. 2½pc '11(74.6)	116		3.46	3.62
97	82	Do. 2½pc '13(89.2)	97		3.45	3.59
105	88	Do. 2½pc '16(81.6)	105		3.42	3.56
103	87	Do. 2½pc '20(83.0)	103		3.38	3.50
86	73	Do. 2½pc '24(97.7)	86		3.35	3.46

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1988:103.7 and for September 1988:108.4

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or −	Int.	Red.
109	100	African Dv Bk 11¼Ln 2010	107		10.37	10.26
104	96	Asian Dev Bk 10¼pcLn2009	103		9.91	9.86
129	120	Australia 13½pc 2010	128		10.51	10.21
112	103	Do 11¼pcLn2015	112		10.13	10.04
110	103	Euro Inv Bk 11pc Ln 2002	108xd		10.17	9.90
105	98	Do. 10¼pc2004	103		10.01	9.92
120	112	Int-Am Dev Bk 12½pc 2003	118		10.59	10.07
98	91	Do. 9¾pcLn 2015	98		9.88	9.89
96	86	Mlysia 10¾pcLn 2009	96		11.19	11.18
121	87	N.Mexican States 16½pc 2008	120		13.64	12.85

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass	45xd		3.50	17.78
45	33	Do 6pc 28 Stb Ass.	45		3	16.67
45	33	Do 4pc Mixed Ass.	45xd		3	14.44
77	63	Hung. '24 Ass	77		2.75	13.57
140	128	Hydro Quebec 15pc 2011	138		15.00	10.50
131	118	Iceland 14½pc Ln 2016	128		14.50	11.18
101	94	Ireland 9¾pc '91-96	98		9.75	10.05

AMERICANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
29½	22	Abbott Laboratories	27		$1.20	—	2.6
649p	360p	Allegheny & W 1c	396p	+3	30c	—	4.2
14	862p	Amax $1	12		020c	—	0.9
15	8	Amdahl 5c	11		10c	—	0.5
31	25	Amer. Cyanamid $5	28		$1.20	—	2.5
17	11	Amer Express 60c	15		76c	—	2.9
10	668p	Amer Medical Int $1	10		72c	—	4.2
17	13	American T & T $1	16		$1.20	—	4.1
56	44	Ameritech $1	53		$5.40	—	5.9
28	16	Amfac	27			—	—
19	15	Anheuser-Busch $1	18		60c	—	1.9
10	360p	BankAmerica $1	18			—	—
24	16	Bankers N.Y. $1	21		$1.86	—	5.1
43	34	Bell Atlantic $1	41		$4.08	—	5.8
25	19	BellSouth Corp	24		$2.56	—	5.5
15	850p	Bethlehem Steel $8	12			—	—
13	801p	Bio-Rad Labs Inc. "A"	11			—	—
23	15	Bowater Inc	16		92c	—	3.3
16	11	Browning-Ferris 16 bc	15			—	—
13	787p	Brunswick 75c	10			—	—
33	21	CPC Intnl 25c	30		$1.44	—	—
18	13	CSX $1	17		$1.24	—	4.3
743p	134p	California Engy	711p			—	—
16	11	CalFed Inc $1	11	−1	$1.40	—	7.2
20	12	Campbell Soup 15c	18			—	—
39	31	Caterpillar Inc $1	34			—	1.3
18	11	Chase Manhattan $12½	16			—	—
19	11	Chem Banking Corpn	15			—	—
15	11	Chrysler $6¼	15			—	—
15	9	Citicorp $1	14			—	—
297p	166p	CityFed Fin. Corp	174p			—	—
28	20	Colgate-Palmolive $1	26			—	—
20	13	Cons Freightways	18			—	—
350p	134p	Contl Illinois Corp $1	317p			—	—
14p	7p	Cont Illinois Hldgs $1	7p			—	—
428p	117p	Convergent Data Sctr	367p			—	—
510p	300p	Cullinet Sftwr 1c	333c			—	—
22	17	Dana Corp $1	20		$1.6	—	4.5
15	10	Data General	10			—	—
140p	44p	Derma-Lock Med	77p			—	—
32	24	Dun & Bradstreet $1	31		$2.7	—	2.3

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling shows little reaction

STERLING SHOWED a broadly neutral response to yesterday's release of the Autumn Economic Statement by Mr Nigel Lawson, UK Chancellor of the Exchequer. Investors took heart from lower than expected projections on public spending, while the Chancellor's forecast of 6 p.c. inflation for the 4th quarter of this year was *broadly in line with expectations.*

Analysts were quick to point out that the current high level of interest rates could be here for some time, and this should provide underlying support for the pound. Sterling's exchange rate index finished at 76.5. This was below its opening level of 76.6, but was still up from 76.4 at Monday's close. Against the D-Mark, sterling rose to DM3.1575 from DM3.1500, but was down against the yen at Y221.50 from Y222.00. Against the dollar, it was little changed at $1.7670 from $1.7685. Elsewhere, it finished at SFr2.6525 from SFr2.6650 and FFr10.7750 compared with FFr10.7575.

The dollar stayed above the lows touched in Tokyo, following further intervention by the Bank of Japan. The latter bought at least $100m in Tokyo, when the dollar was trading at Y125.50. The US unit opened on a firmer note in London, and maintained these levels during the early part of trading in New York. There was no intervention by the US Federal Reserve Board, but the dollar started to edge up on reports that the Fed was checking dollar/yen rates in the market.

Despite this, the US unit retained a bearish undertone. *Central banks seem determined* to prevent the dollar falling sharply, in the run up to next week's US Presidential election. But uncertainty about the new Administration and its ability to reduce the twin budget and trade deficits, has cast a sombre mood over dollar sentiment.

An unexpected rise of 0.6 p.c. in US September construction spending may have provided some support, while a 0.3 p.c. fall in US leading economic indicators in September was virtually ignored, as this was little different from market expectations.

The dollar rose to DM1.7865 from DM1.7815, but was lower against the yen at Y125.30 compared with Y125.50. Elsewhere, it finished at FFr6.0975 from FFr6.0825 and SFr1.5015, unchanged from Monday. On Bank of England figures, the dollar's exchange rate index rose to 95.7 from 95.2.

The D-Mark continued to lose ground against the yen, opening at Y70.23, down from Y70.48 on Monday. By noon it had slipped to Y70.18 and finished at Y70.14. The softer tone was largely a reflection of the dollar's performance, where it rose against the D-Mark but fell in yen terms. This moved the yen/D-Mark cross rate in the yen's favour, and started to increase the pressure on a key support level at Y70.0.

The Canadian dollar came under renewed pressure, and the Bank of Canada intervened in currency markets to sell US dollars at C$1.2255. However, the US unit rose to C$1.2275 at the close from C$1.2195 on Monday.

£ IN NEW YORK

Nov.1	Latest	Previous Close
£ Spot	1.7640-1.7645	1.7680-1.7690
1 month	0.54-0.53pm	0.51-0.50pm
3 months	1.50-1.48pm	1.49-1.47pm
12 months	4.85-4.75pm	4.75-4.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.1	Previous
8.30 am	76.6	76.5
9.00 am	76.5	76.4
10.00 am	76.5	76.5
11.00 am	76.5	76.5
Noon	76.5	76.6
1.00 pm	76.6	76.6
2.00 pm	76.6	76.6
3.00 pm	76.6	76.6
4.00 pm	76.5	76.4

CURRENCY RATES

Nov.1	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.756135	0.656262
U.S Dollar	6.50	1.34592	1.15975
Canadian $	8.75	1.64202	1.42011
Austrian Sch.	4	16.7338	14.5768
Belgian Franc	7	49.9202	43.4731
Danish Krone	7½	9.18187	7.98949
Deutsche Mark	3½	2.38012	2.07328
Neth. Guilder	4	2.68309	2.33840
French Franc	9½	N/A	7.07619
Italian Lira	12½	1771.84	1540.72
Japanese Yen	2½	169.249	145.548
Norway Krone	8	8.86442	7.70245
Spanish Peseta	-	157.439	136.920
Swedish Krona	9½	8.27068	7.17303
Swiss Franc	3	2.00407	1.74484
Greek Drach.	20½	9.18187	170.552
Irish Punt	-	N/A	0.775438

*All SDR rates are for Oct.31

CURRENCY MOVEMENTS

Nov.1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.5	-15.9
U.S Dollar	95.7	-12.1
Canadian Dollar	82.9	-3.5
Austrian Schilling	135.2	+10.2
Belgian Franc	98.5	-5.6
Danish Krone	89.5	+0.2
Deutsche Mark	145.2	+21.6
Swiss Franc	167.5	+20.1
Guilder	133.7	+13.9
French Franc	69.0	-15.1
Lira	45.3	-20.6
Yen	250.7	+85.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)**Rates are for Oct. 31.

OTHER CURRENCIES

Nov 1	£	$
Argentina	21.6800-21.8400	12.2800-12.3600
Australia	2.1545-2.1565	1.2190-1.2200
Brazil	823.70-827.70	466.65-468.40
Finland	7.4480-7.4610	4.2220-4.2240
Greece	258.00-260.45	145.95-148.40
Hong Kong	13.9005-13.8175	7.8100-7.8120
Iran	121.90*	67.80*
Korea(Sth)	1231.80-1241.70	697.10-702.70
Kuwait	0.49500-0.49550	0.28040-0.28050
Luxembourg	66.10-66.20	37.40-37.50
Malaysia	4.4295-4.7410	2.6810-2.6830
Mexico	4033.55-4053.50	2284.00-2294.00
N. Zealand	2.8255-2.8305	1.5985-1.6010
Saudi Ar.	6.6215-6.6270	3.7505-3.7515
Singapore	3.5335-3.5395	1.9995-2.0015
S. Af (Cm)	4.4180-4.4235	2.4990-2.5020
S. Af (Fn)	7.0025-7.1435	3.9605-4.0405
Taiwan	49.95-50.20	28.30-28.40
U.A.E.	6.4835-6.4895	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4731	+2.39	+0.89	±1.5344
Danish Krone	7.85212	7.98949	+1.75	+0.25	±1.5404
German D-Mark	2.05853	2.07328	+0.72	-0.78	±1.0981
French Franc	6.90403	7.07619	+2.49	+0.99	±1.3674
Dutch Guilder	2.31943	2.33840	+0.82	-0.68	±1.5012
Irish Punt	0.768411	0.775438	+0.91	-0.59	±1.6684
Italian Lira	1483.58	1540.72	+3.85	+2.95	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7610-1.7700	1.7665-1.7675	0.55-0.52cpm	3.63	1.52-1.47pm	3.38
Canada	2.1600-2.1720	2.1675-2.1685	0.31-0.21cpm	1.44	0.80-0.66pm	1.35
Netherlands	3.55¼-3.56¼	3.55½-3.56½	2⅛-1⅞cpm	6.74	6-5¾pm	6.60
Belgium	66.00-66.40	66.10-66.20	35-20cpm	4.99	90-70pm	4.84
Denmark	12.15¼-12.20¼	12.19-12.20	4⅝-3⅞orepm	4.18	12⅛-11⅛pm	3.94
Ireland	1.1790-1.1865	1.1795-1.1805	0.46-0.41cpm	4.42	1.33-1.20pm	4.29
W. Germany	3.15-3.16¼	3.15½-3.16	2-1⅞pfpm	7.36	5⅝-5⅜pm	6.97
Portugal	258.50-260.20	258.50-259.50	5pm-40cdis	-0.81	10-120dis	-1.00
Spain	207.95-209.10	208.00-208.30	40-15cpm	1.59	50-25pm	0.72
Italy	2341¼-2350½	2344½-2345½	2-parlirepm	0.51	5-3pm	0.68
Norway	11.71½-11.76½	11.73¼-11.74¼	par-½oredis	-0.26	½-1dis	-0.23
France	10.75-10.79½	10.77-10.78	4-3½cpm	4.32	10⅞-10¼pm	3.92
Sweden	10.91¼-10.94¼	10.93¼-10.94¼	1⅝-1¼orepm	1.58	4¼-4⅛pm	1.62
Japan	220¼-222	221-222	1½-1⅜ypm	7.79	4⅜-4⅛pm	7.67
Austria	22.19-22.28	22.22-22.26	12⅞-11⅝gropm	6.48	34⅜-32½pm	6.04
Switzerland	2.64¼-2.66¼	2.64¾-2.65¾	2-1¾cpm	8.48	5⅝-5¼pm	7.92

Belgian rate is convertible francs. Financial franc 66.65-66.75. Six-month forward dollar 2.80-2.75cpm 12 months 4.84-4.74cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7610-1.7700	1.7665-1.7675	0.55-0.52cpm	3.63	1.52-1.47pm	3.38
Ireland†	1.4920-1.4980	1.4945-1.4955	0.08-0.13cdis	-0.84	0.35-0.45dis	-1.07
Canada	1.2190-1.2280	1.2270-1.2280	0.21-0.24cdis	-2.20	0.61-0.65dis	-2.06
Netherlands	2.0120-2.0215	2.0145-2.0155	0.54-0.52cpm	3.15	1.63-1.59pm	3.19
Belgium	37.40-37.55	37.40-37.50	4.00-2.00cpm	0.96	15.00-11.00pm	1.39
Denmark	6.87½-6.90½	6.90-6.90½	0.55-0.25orepm	0.70	1.10-0.80pm	0.55
W. Germany	1.7835-1.7935	1.7860-1.7870	0.56-0.53pfpm	3.66	1.63-1.59pm	3.60
Portugal	148-148½	148¼-148½	40-60cdis	-4.06	135-185dis	-4.33
Spain	117.80-118.20	117.95-118.05	15-25cdis	-2.03	75-85dis	-2.71
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.70-37.80.

EURO-CURRENCY INTEREST RATES

Nov.1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9 per cent; three years 9⅛-9 per cent; four years 9½-9 per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	10.78	2.653	3.560	2345	2.168	66.15
$	[illegible]	[illegible]	[illegible]	[illegible]	6.101	1.501	2.015	1327	1.227	37.44
DM	[illegible]	[illegible]	[illegible]	[illegible]	3.414	0.840	1.127	742.6	0.687	20.95
YEN	[illegible]	[illegible]	[illegible]	[illegible]	48.67	11.98	16.07	10587	9.788	298.6
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	2.461	3.302	2175	2.011	61.36
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	4.063	1	1.342	883.9	0.817	24.93
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	3.028	0.745	1	658.7	0.609	18.58
Lira	[illegible]	[illegible]	[illegible]	[illegible]	4.597	1.131	1.518	1000.	0.925	28.21
C $	[illegible]	[illegible]	[illegible]	[illegible]	4.972	1.224	1.642	1082	1	30.51
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	16.30	4.011	5.382	3545	3.277	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Nervous on statement

REACTION ON the London futures market to the Autumn Statement from the Chancellor of the Exchequer was somewhat nervous.

Long term gilt futures finished lower on the day. Short sterling futures rose ahead of the Statement, but closed weaker, with both contracts at the day's low.

City economists said gilts should react favourably to news that the UK public sector planning total is £3.25bn less than expected, although other factors appeared to disappoint the market.

There were suggestions that some of the Treasury's assumptions for next year are over optimistic, particularly with regard to the level of investment and a slowdown in consumer demand, but in general the City seemed prepared to give the Government the benefit of the doubt on most points.

It was noted that the forecast for inflation seemed to indicate no cut in mortgage rates next year, and by implication no reduction in bank base rates. It also assumes no fall in the value of sterling and no sharp rise in wage settlements.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100% — [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100% — [illegible]

THREE MONTH STERLING £500,000 points of 100% — [illegible]

US TREASURY BONDS 8% $100,000 32nds of 100% — [illegible]

FT-SE 100 INDEX £25 per full index point — [illegible]

THREE MONTH EURODOLLAR $1m points of 100% — [illegible]

6% NOTIONAL GERMAN GOVT. BOND DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	97.93	98.00	97.80	97.89
Mar	97.35	97.37	97.27	97.30

Estimated Volume 3390 (3399)
Previous day's open int. 7131 (2206)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100% — [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100% — [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100 — [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM — [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100% — [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr — [illegible]

STANDARD & POORS 500 INDEX $500 times index — [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7670	1.7617	1.7521	1.7393	1.7191

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.7616	1.7616	1.7580	1.7564
Mar	1.7490	1.7490	1.7464	1.7436
Jun	1.7360	1.7360	-	1.7320

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 26,343

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm. Bk. N. East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	*12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	12	Roxburghe G'rantee	12½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Bank of Baroda	12	Exeter Trust Ltd	12½	● Smith & Williamson Secs.	12
Banco Bilbao Vizcaya	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Hapoalim	12	First National Bank Plc.	13	TSB	12
Bank Leumi (UK)	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	§12.75
Bank Credit & Comm	12	Robert Fraser & Ptnrs.	12½	United Bk of Kuwait	12
Bank of Cyprus	12	Girobank	12	United Mizrahi Bank	12
Bank of Ireland	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of India	12	HFC Bank plc	12	Western Trust	12
Bank of Scotland	12	● Hambros Bank	12	Westpac Bank Corp.	12
Banque Belge Ltd	12	Heritable & Gen Inv Bnk	12	Whiteaway Laidlaw	12½
Barclays Bank	12	● Hill Samuel	§12	Yorkshire Bank	12
Benchmark Bank PLC	12	C. Hoare & Co.	12		
Berliner Bank AG	12	Hongkong & Shangh	12		
Brit. Bk of Mid East	12	● Leopold Joseph & Sons	12		
● Brown Shipley	12	Lloyds Bank	12		
Business Mtge Tst	12½	Meghraj Bank Ltd	12		
CL Bank Nederland	12	McDonnell Douglas Bnk	12.25		
Central Capital	12	Midland Bank	12		
● Charterhouse Bank	12	Mount Banking Corp.	12		
Citibank NA	12	Nat Bk. of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Sarewise 8.47%. Top Tier-£10,000+ instant access 11.06% ‡ Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

MONEY MARKETS

London rates steady

THERE WAS little immediate response on the London money market to the Autumn Statement from Mr Nigel Lawson, Chancellor of the Exchequer.

Three-month sterling interbank was quoted at 12⅛-12⅛ p.c., compared with 12⅛-12 p.c. on Monday, as Mr Lawson forecast a fall next year in UK inflation, GDP growth, and the current account deficit.

Initial reaction was that the Chancellor's projections for next year are on the optimistic side, but generally plausible, and fit in with his wish to obtain a "soft landing" for the economy.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The Bank of England initially forecast a money market shortage of £400m, but revised this to £350m at noon. Total help of £449m was provided.

Before lunch the authorities bought £79m bills, by way of £51m bank bills in band 1 at 11⅞ p.c., and £28m bank bills in band 2 at 11⅞ p.c.

In the afternoon the Bank of England purchased £210m bills, through £193m bank bills in band 1 at 11⅞ p.c.; £16m bank bills in band 2 at 11⅞ p.c.; and £1m local authority bills in band 4 at 11⅞ p.c. Late assistance of £160m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £785m, with the unwinding of repurchase agreements absorbing £75m. These factors outweighed Exchequer transactions adding £435m to liquidity, a fall in the note circulation of £20m, and bank balances above target of £20m.

The second ECU Treasury bill tender will be held by the Bank of England on November 8, when 750m ECU's will be offered in one-month; three-month and six-month maturities.

In New York the Federal Reserve added temporary reserves to the banking system, with overnight system repurchase agreements, when Federal funds were trading at 8⅜ p.c.

In Amsterdam the Dutch Central Bank allocated Fl 3bn, via seven-day special advances, at an unchanged 5.25 p.c. This was in line with market expectations, and replaces an expiring seven-day facility of Fl 3.3bn.

The latest return from the central bank shows that credit conditions tightened in the week to October 31. Money market debt rose by about Fl 350m to Fl 8.43bn, and loans and advances from the authorities rose by Fl 2.2bn to Fl 5.1bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.1) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8½	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9¼
Fed. funds	8⅜-¼
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.52	Three year	8.32
Two month	7.02	Four year	8.33
Three month	7.59	Five year	8.39
Six month	7.87	Seven year	8.54
One year	8.05	10-year	8.67
Two year	8.23	30-year	8.77

Nov.1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.70-4.80	4.60-4.75	4.75-4.90	4.75-4.90	4.80-4.95	5.00
Paris	7⅞-7⅞	7⅞-7⅞	7⅞-8	8-8⅛	8⅛-8⅛	7.25
Zurich	1⅝-1⅞	3¼-3½	-	3¾-4	-	-
Amsterdam	4.75-5.00	5.20-5.30	-	5.20-5.30	-	-
Tokyo	3.84375	4.28125	-	4.40625	-	-
Milan	10⅝-10⅞	10½-11	-	11¼-11⅞	-	-
Brussels	3.75	7⅜-7⅜	-	7¼-7⅜	-	-
Dublin	7½-7⅞	7⅞-7⅞	7½-7⅞	7½-7⅞	7⅞-8	-

LONDON MONEY RATES

Nov.1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	12⅛	12	12⅛	12⅛	11⅞
Interbank Bid	10	11⅞	11¾	12	12	11¾
Sterling CDs	-	-	11¾	12	11¾	11⅝
Local Authority Deps.	12	11⅞	11¾	12	11¾	11¾
Local Authority Bonds	-	-	12⅛	12¼	12⅛	12⅛
Discount Mkt Deps.	12½	12⅛	11¾	11¾	-	-
Company Deposits	-	-	11⅞	12⅛	12	11⅞
Finance House Deposits	-	-	12	12⅛	12	11⅞
Treasury Bills (Buy)	-	-	11⅞	11⅞	-	-
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 11⅞ per cent; three months 11⅞ per cent; Bank Bills (sell): one-month 11⅞ per cent; three months 11⅞ per cent; Treasury Bills: Average tender rate of discount 11.5015 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Oct.31, 1988. Agreed rates for period November 26, 1988 to December 25, 1988, Scheme I: 13.67 p.c. Schemes II & III: 13.77 p.c. Reference rate for period October 1, 1988 to October 31, 1988, Scheme IV & V: 12.035 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from November 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

NEW ISSUE — This announcement appears as a matter of record only. — October, 1988

CITY OF BARCELONA

Japanese Yen Bonds – First Series (1988)

YEN 10,000,000,000

5.6 per cent. Bonds due 1998

Daiwa Securities Co. Ltd.

The Nikko Securities Co., Ltd. — The Nomura Securities Co., Ltd.

Yamaichi Securities Company, Limited — Universal Securities Co., Ltd.

The Nippon Kangyo Kakumaru Securities Co., Ltd. — New Japan Securities Co., Ltd. — Dai-ichi Securities Co., Ltd.
Okasan Securities Co., Ltd. — Wako Securities Co., Ltd. — KOKUSAI Securities Co., Ltd. — Sanyo Securities Co., Ltd.
S.G. Warburg Securities (Japan) Inc., Tokyo Branch — Kleinwort Benson International Incorporated, Tokyo Branch — Cosmo Securities Co., Ltd.
Goldman Sachs (Japan) Corp., Tokyo Branch — Shearson Lehman Hutton Asia, Inc., Tokyo Branch — SBCI Securities (Asia) Limited, Tokyo Branch
Salomon Brothers Asia Limited, Tokyo Branch — Taiheiyo Securities Co., Ltd. — Tokyo Securities Co., Ltd. — First Boston (Asia) Limited, Tokyo Branch
Marusan Securities Co., Ltd. — Merrill Lynch Japan Incorporated, Tokyo Branch — Morgan Stanley Japan Ltd., Tokyo Branch — Yamatane Securities Co., Ltd.
Smith Barney, Harris Upham International Incorporated, Tokyo Branch — The Chiyoda Securities Co., Ltd. — Toyo Securities Co., Ltd.
DB Capital Markets (Asia) Ltd., Tokyo Branch — Hinode Securities Co., Ltd. — Meiko Securities Co., Ltd. — Ark Securities Co., Ltd.
The Izumi Securities Co., Ltd. — Ichiyoshi Securities Co., Ltd. — Imagawa Securities Co., Ltd.
Kidder, Peabody International Corporation, Tokyo Branch — Kyokuto Securities Co., Ltd. — Kosei Securities Co., Ltd.
Citicorp Scrimgeour Vickers International Ltd., Tokyo Branch — Schroder Securities Japan Ltd., Tokyo Branch
The Shinyei Ishino Securities Company, Limited — Jardine Fleming (Securities) Ltd., Tokyo Branch — The Tachibana Securities Co., Ltd.
Chase Manhattan Securities Japan C.I. Limited, Tokyo Branch — Towa Securities Co., Ltd. — National Securities Co., Ltd.
West LB Securities Pacific Limited, Tokyo Branch — Prudential-Bache Securities (Japan) Ltd., Tokyo Branch — Maruman Securities Co., Ltd.
Mito Securities Co., Ltd. — Itogin Securities Co., Ltd. — Utsumiya Securities Co., Ltd. — The Kaisei Securities Co., Ltd.
Kyoritsu Securities Co., Ltd. — Takagi Securities Co., Ltd. — Daitō Securities Co., Ltd. — Chuo Securities Co., Ltd.
Naigai Securities Co., Ltd. — Nichiei Securities Co., Ltd. — The Nippon Securities Co., Ltd.
Hiraoka Securities Co., Ltd — Yamamaru Securities Co., Ltd. — Ryoko Securities Co., Ltd.

امريكا اللاتينية

LONDON STOCK EXCHANGE

Cautious response to the Chancellor

Account Dealing Dates			
*First Dealings:	Oct 17	Oct 31	Nov 14
Option Declarations:	Oct 27	Nov 10	Nov 24
Last Dealings:	Oct 28	Nov 11	Nov 25
Account Day:	Nov 7	Nov 21	Dec 5

*New time dealings may take place from 9.00 am two business days earlier.

DESPITE A list of uncertainties ranging from the implications of the UK Autumn Economic Statement to the prospects for next week's US Presidential elections, the UK stock market acquitted itself satisfactorily yesterday.

While the international blue chips were subdued by currency factors, overall turnover in the market increased significantly from Monday's level. A good two-way trade was seen in leading domestic stocks until the market quietened down as Mr Nigel Lawson, the UK Chancellor of the Exchequer, started to deliver his speech on the economy to the House of Commons.

His prediction that the UK economy would grow by 4.5 per cent this year against a Budget forecast of 3 per cent, while regarded as encouraging in the City of London, had little effect on share prices which remained firm as the session drew to its close. With Wall Street moving uncertainly in early deals, and several European markets shut down for All Saints' Day, UK stocks closed below their best levels.

The FT-SE Index ended a net 5.4 points ahead at 1857.3. The 1850 mark remains a significant support level for the Index. Seaq volume increased to 471.4m shares from the 348.5m on Monday.

The cloud still hovering over the US currency left international blue chips without support. Turnover in such major names as ICI and Glaxo fell far short of the 1m share level.

"With Europe worried about the dollar, the US worried about the Presidential Election, and the UK worried about the Autumn Statement, it was not surprising that the stock market lacked courage", commented a trader at a leading securities firm. A small "buy" programme was operated in the early part of the session, reportedly by Hoare Govett, the UK house, but for the rest of the day the market concentrated on its crop of special situations.

Some demand was seen for Consolidated Gold Fields ahead of today's annual meeting of shareholders. Gold Fields's shares are now nearly 40p below the Minorco offer, which has been withdrawn in the face of referral of the bid to the Monopolies Commission, and many traders see this as a buying opportunity - especially if the board takes the opportunity to send out bullish signals on trading from today's meeting. Charter Consolidated, in which Gold Fields has a stake, also advanced, as did Johnson Matthey where Charter has a holding.

The UK market now faces a brief respite from new domestic economic data, but is likely to focus its attention on developments in the US, notably at the meeting of the Federal Reserve Open Market Committee, or on US manufacturing orders and employment levels, to be reported this week.

FINANCIAL TIMES STOCK INDICES

	Nov. 1	Oct. 31	Oct. 28	Oct. 27	Oct. 26	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.33	89.31	89.31	89.27	88.74	90.14	91.43 (18/4)	86.28 (2/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.73	97.53	97.59	97.52	97.46	94.07	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1507.7	1501.7	1506.9	1502.8	1503.2	1296.1	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	169.1	168.9	168.6	167.0	168.5	305.6	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.64	4.65	4.63	4.61	4.64	4.81				
Earning Yld %(full)	11.66	11.72	11.65	11.60	11.68	11.96				
P/E Ratio(Net)(*)	10.37	10.34	10.40	10.45	10.37	10.23				
SEAQ Bargains(5pm)	23,472	22,241	27,724	28,208	23,694	36,788				
Equity Turnover(£m)†	-	771.10	1140.60	1424.99	996.04	1673.22				
Equity Bargains†	-	23,130	29,214	28,472	23,942	48,460				
Shares Traded (ml)†	-	344.4	479.9	555.3	376.3	893.2				

Ordinary Share Index, Hourly changes

Opening	10 am	11 am	Noon	1 pm	2 pm	3 pm	4 pm
1502.2	1504.9	1505.4	1507.5	1508.7	1508.5	1508.3	1507.9

DAY'S HIGH 1509.1 DAY'S LOW 1502.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.27 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Oct. 31	Oct. 28
Gilt Edged Bargains	92.5	102.2
Equity Bargains	149.9	189.3
Equity Value	1588.6	2205.6
5-Day average		
Gilt Edged Bargains	107.4	108.6
Equity Bargains	166.4	158.8
Equity Value	2128.9	2219.5

● London Report and latest Share Index: Tel. 0898 123001

Spotlight on NEI again

Northern Engineering Industries (NEI) surged in early trading on rumours that a counter-stake was being built up to rival the 4.7 per cent holding taken last week by Rolls-Royce. Suggestions that a raid was being mounted in the market sent the shares as high as 130p before they settled in steady trading to close a net 3 higher at 126p. Dealers estimated turnover at around 5m shares, following the 10m traded on Monday.

There was talk in the market of a deal between the two UK companies at around 145p per NEI share and, while no announcement is expected this week, analysts are confident that talks are scheduled. But the possibility of a counterbid was not ruled out – the favourite name was GEC, although many analysts believe the ambitions of the electrical group lie elsewhere.

NEI itself remained tight-lipped following Monday's disclosure of the Rolls-Royce stake. Mr Bill Beaumont, finance director, repeated, "We would prefer not to comment until we know Rolls-Royce's intentions."

He would not discuss whether talks are in progress between the two companies, but there was strong speculation in the market that the upshot of the R-R move will be either an agreed bid for NEI or a joint venture involving R-R taking an increased stake in the power plant company. Analysts believe R-R acted in order to head off Mitsubishi and, perhaps, other Japanese companies from making a move for NEI.

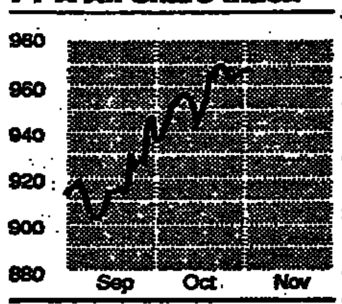
Reckitt branded

Reckitt & Colman rose 16 to 950p in turnover of 653,000 shares as attention was again focused on its fundamental value and brand name strength. Dealers reported reasonable interest in a stock which has languished for several months bfore rallying recently following a presentation at Warburg Securities.

Yesterday, Andrew Porter, analyst at Chase Manhattan Securities, put out a buy circular on Reckitt, pointing to its status as "the cheapest stock among the major health and household companies". He widened the usual brief to examine Reckitt's research and development programme in its pharmaceutical division and suggested that a substantial business area has been overlooked.

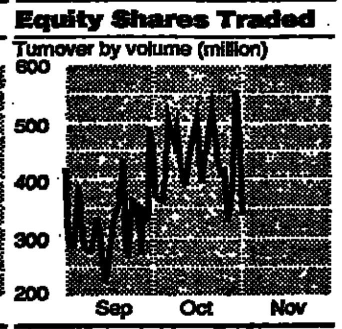
Arguing that Reckitt deserved re-rating, Porter said, "Reckitt has three projects, all of which are expected to produce news in the next 12 months." Clinical trials are well underway on an ulcer treatment using Polyacrylate in combination with Smith-Kline's Tagamet, Reckitt's anti-depressant Idazoxan is near the end of phase two trials, and an epilepsy treatment with promising potential are the key programmes.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



International stocks were again dull, marking time ahead of the Chancellor's speech and then standing still on lack of investor interest. Leading stocks ended generally little changed. BTR stood out with a rise of 8¼ to 301p in turnover of 3.7m shares. Hoare Govett was very active in the stock amid talk that there was a large buyer around. One deal of 1m shares at 301p went through the system, while there was also activity in the options market.

Brewery stocks remained dull. Scottish & Newcastle looked more active than it was after a mis-reported trade - 500,000 shares went through as 5m after an error - and the shares closed down a penny at 401p. Allied Lyons announced the sale of its oil and gas interests for C$227m which will be used to reduce the company's gearing and the shares were unchanged at 478p in turnover of 1.9m.

BPB began a run and soon afterwards rumours went round of an impending management buy-out and a property sale. A more creditable reason, said a leading researcher, was a large early buyer catching the market short and causing one particular securities house to take drastic remedial action. The resulting business in turn sparked off speculative interest which lifted the shares to 280p bid before a close of 5 up at 273p.

Frowting hovered around 189p despite revealing sharply higher mid-term revenue, but Polypipe hardened to 151p following a buy signal from BZW coupled with the chairman's confident review of prospects at yesterday's annual meeting.

W H Smith was in demand after a County NatWest WoodMac circular assuaged the market's worries that the slowdown in diy spending could hit the group's trading profits hard. County suggested that the impact of the slump on W H Smith's Do It All chain should be cushioned by its policy of concentrating on the "softer" end of the diy market, with its emphasis on curtains, fabrics, furnishings, and wallpaper. By the close W H Smith "A" shares were up 3 at 274p on turnover of over ¾m shares.

There was good buying of Marks and Spencer ahead of today's interims – analysts' estimates range from £185m to 195m – and the shares ended 2¼ firmer at 173p as nearly 3m changed hands.

Lowndes Queensway shrugged off the news that Sir Philip Harris, the former head of Harris Queensway, has concluded a deal with MFI to develop "stand alone, out-of-town" carpet stores. The new stores will compete directly with Lowndes' Carpetland chain and its own arrangement with MFI to sell carpets and floor-coverings in 82 MFI stores. Stores analaysts suggest that it will be some time before Sir Philip Harris' new venture poses any kind of threat to Lowndes' established carpet businesses, and Lowndes shares closed steady at 78p.

Electrical and telecoms issues saw heavy trade in GEC, where 8.5m shares changed hands amid a continuation of recent stories as the price rose 3¼ to 179p and British Telecom, which rose 4 to 259½p in turnover of 9.2m. Dealers reported good two-way trade in BT.

Cable & Wireless rose 5 to 406p in turnover of 2.1m. A consensus emerged that C&W is unlikely to increase its 305p per share offer for Telephone Rentals (TR), despite receiving only 0.42 per cent acceptances at the first deadline.

Chase Manhattan analyst Patrick Hickey issued a take profits advice to TR shareholders, saying that a counter-bid is unlikely and that any agreed terms would see only a modest improvement in the C&W offer price. He agreed with speculation that if C&W does not like the price being set by the market it will walk away from the deal - "remember C&W's Racal stake," he noted. TR shares closed down 9 at 339p in turnover of 1.8m.

BSR put on 2⅛ to 70¼p, while Thorn EMI added 9 to 672p after a buyer early on. Chloride jumped 4¼ to 59½p, with dealers reporting heavy trade and good buying at the 60p level. Results are due later this month and there is speculation that a bid might develop.

Garton Engineering relied strongly to the acquisition of H Goodwin, a Walsall-based foundry operator, ending 11 up at 170p. Movements elsewhere among Engineering issues took in Vosper Thornycroft, up 5 at 210p, and TI, 7 better 381p. Ratcliffs (Great Bridge) continued the response to the increased Bromsgrove holding of 20 per cent, advancing 6 to 153p.

Among Food issues, Dalgety rose 4 to 338p on buying ahead of the 9p dividend - the shares go ex-dividend at the start of the next trading account. Tesco was heavily traded (6.2m) for its slight fall to 137½p with dealers remarking switching activity that included several crossed trades.

Boots recorded the heaviest turnover for weeks (10m shares) but managed only a minor gain to 226p. Media publicity about a stake-building operation drew attention to the stock, stoking up demand from both institutional and private investors. A leading marketmaker said: "There is little doubt that someone is acquiring sizeable numbers of shares, possibly because of the undemanding rating. Good results today from fellow high-street retailer Marks and Spencer could accelerate the forward movement."

Avis Europe, recommended recently by Kleinwort Benson, gained 7 more to 350p while Merrill Lynch advice raised Rank Organisation 9 more to 746p. Select Appointments rose 6 to 206p on more-than-doubled profits and GC Floorings advanced 4 to 62p after yesterday's annual meeting. British Bloodstock jumped 18 to 233p in a restricted market while Metal Closures regained 7 to 215p and Minty advanced 10 to 235p. Reassuring newspaper comment helped Yale & Valor recover 12 to 355p and Smiths Industries ran higher late to end 8 dearer at 271p.

Leisure stocks were quieter. Ladbroke enjoyed a County NatWest WoodMac buy recommendation and rose 4 to 456p, while Trusthouse Forte came back into favour and rose 7 to 271p in good trade of 3.2m shares. Owners Abroad crept 4 higher to 79p as speculation that it will attract predatory interest increased.

Speculation surrounding the Rolls Royce stake in NEI helped motor stocks higher, with Lucas – up 10 at 586p – benefiting most. Jaguar was also well supported as word of a large buyer sent the shares rising 6 to close at 263p. Motor component groups were firmer after Armstrong Equipment released a bullish statement about its trading prospects for the rest of the year. Armstrong closed 5 better at 135p, and fellow component manufacturer BBA also closed up 5, at 182p.

Greycoat stood out with a rise of 18 to 430p, although no-one in the market could find an explanation for the gain. Marketmakers were complaining, though, of a badly handled institutional buy order in the morning which forced dealers to mark Greycoat significantly higher. Instead of placing the order through one marketmaker as is normal, the institution went to several houses, which immediately sent the shares soaring.

Takeover speculation continued to fuel above-average demand for Tootal and the shares closed only a few pence short of the year's best level at 119¼p, up 4⅛. Market stories continued to point to DMC, the French group once linked with Dawson International, as the most likely predator. Dawson also moved higher, responding to the Prudential Corporation holding of 5 per cent with a rise of 5 to 225p.

Lonrho moved further away from centre of the stage awaiting confirmation that Mr Alan Bond, now in London, would meet Mr Tiny Rowland, head of the diversified UK trading conglomerate. Despite dwindling turnover, however, the shares edged higher to close at 387p largely because sellers were again reticent.

Among energy stocks, British Gas showed signs of stabilising after the selling pressure seen in the wake of the recent adverse pricing ruling from the Monopolies Commission. A good two-way trade was reported, although the share price could make little progress against the backcloth of a generally subdued market sector. At 166p, the shares closed 1 better after turnover of 3.7m.

The major oil producers fell into limbo, with no new developments on the horizon until the full Opec meeting late this month. A scattering of early gains melted away when Wall Street made an uncertain start.

Reports that Kuwait has requested an extension of the twelve month deadline for the reduction in its 21.6 per cent stake required by the UK Monopolies Commission, helped BP shares at first. However, turnover was unexciting and by the close prices were drifting back towards overnight levels.

Turnover in traded options reached the modest level of 27,266 contacts, made up of 17,200 calls and 10,066 puts. Dealings in Jaguar shares somewhat relieved the market apathy, totalling 2,074 contracts, made up of 1,412 calls and 662 puts. Index trading again ran to a relatively high level, with 2,092 calls and 2,977 puts making up the total of 5,096 contracts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 33

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,700	150	-2
Allied-Lyons	4,200	401	[illegible]
Amersham	1,500	478	[illegible]
Amstrad	1,300	295	+1
Argyll Group	779	376	+2
Ass. Brit. Foods	509	325	+1
BAA	3,400	283	+1
BAT	4,900	467	+3
BET	671	261	[illegible]
BICC	446	379	[illegible]
BOC Group	444	[illegible]	[illegible]
BPB Inds	3,300	273	+5
BTR	3,700	301	+8¼
Barclays	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]
Beecham	1,998	489½	-½
Blue Arrow	4,500	94½	-4
Blue Circle	344	450	-2
Boots	4,006	226	+3
British Airways	187	167	+1
Brit. Aerospace	244	494	+2
Brit & Comm.	2,300	245	+2
British Gas	3,690	166	+½
British Land	208	349	+2
BP	2,300	244	+½
British Telecom	9,150	249½	+4
Burmah Oil	1,200	546	-1
Burton	584	208	+½
Cable & Wireless	2,100	406	+5
Cadbury Schweppes	968	373	-2
Coats Viyella	1,500	180	-½

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	[illegible]	[illegible]	[illegible]
Cons. Gold Fields	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	338	[illegible]
Dixons	[illegible]	[illegible]	[illegible]
Enterprise Oil	[illegible]	[illegible]	[illegible]
FKI Babcock	[illegible]	[illegible]	[illegible]
Fisons	[illegible]	[illegible]	[illegible]
Gen. Accident	[illegible]	[illegible]	[illegible]
Gen. Elec.	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]
Granada	1,300	332	+1
Grand Met.	3,998	450	+3
GUS A	314	£10¼	
GRE	520	185	
GKN	648	332	+1
Guinness	1,200	340	-2
Hammerson 'A'	448	668	+8
Hanson	9,150	149	+½
Harrisons & Cros.	216	649	+7
Hawker Siddeley	425	563	+1
Hillsdown Hldgs	1,500	266½	-2½
IMI	1,400	211	+2
Imp. Chem.	770	£10¼	-⅛
Ladbroke	1,800	226	+5
Jaguar	2,300	263	+6

Stock	Volume 000's	Closing Price	Day's change
Land Securities	[illegible]	[illegible]	[illegible]
Legal & General	[illegible]	[illegible]	[illegible]
Lloyds Bank	[illegible]	[illegible]	[illegible]
LASMO	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
Lucas	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
Marks & Spencer	[illegible]	[illegible]	[illegible]
Maxwell Comm.	[illegible]	[illegible]	[illegible]
Midland Bank	[illegible]	[illegible]	[illegible]
Nat. West. Bank	[illegible]	[illegible]	[illegible]
Next	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Pearson	11	724	
Pearl	315	459	+3
P & O	228	577	-3
Pilkington	4,000	230½	-6
Plessey	1,100	174	
Prudential	3,200	153½	-½
Racal	2,600	289	+½
Rank Org.	893	746	+9
RMC	469	507	+4
RHM	494	390	
Reckitt & Colman	653	950	+16
Redland	1,100	433	-7
Reed International	2,550	413	-1
Reuters 'B'	72	495	+1
RTZ	1,700	438	
Rolls Royce	453	134½	-½

Stock	Volume 000's	Closing Price	Day's change
Rowntree	[illegible]	[illegible]	[illegible]
Royal Ins.	[illegible]	[illegible]	[illegible]
STC	[illegible]	[illegible]	[illegible]
Saatchi & Saatchi	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]
Scot & Newcastle	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Shell Transport	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
Standard Chartered	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance	[illegible]	[illegible]	[illegible]
TSB	2,150	108	+½
Tarmac	778	286	-1
Tate & Lyle	85	858	
Tesco	6,200	138	
Thorn EMI	1,300	672	+9
Trafalgar House	1,500	313½	-1½
Trusthouse Forte	3,300	271	+7
Ultramar	550	205	+3
Unilever	1,600	499	+1
United Biscuits	1,900	304	-2½
Utd Newspapers	241	417	+1
Wellcome	1,000	479	-2
Whitbread 'A'	410	301	
Williams Hldgs	752	271	+1
Wimpey	1,100	268	-5
Woolworth Hldgs	268	254	+6

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (78).

BRITISH FUNDS (13) LOANS (1) N'Wide 3¾pc I.L. t.n. 2021, CANADIANS (1) Can. Imp. Bank, BANKS (1) C'Hgn. Hbk., BREWERS (1) Macallan-Glenlivet, BUILDINGS (1) RMC, CHEMICALS (2) HPC Grp., Perstorp B., STORES (3) Bolton Text., DAKS Simpson 'A', Ramar Texts., ELECTRICALS (3) GEC, Menvier-Swain, Pilgrim House, ENGINEERING (8) Carclo Eng., Garton Eng., Hall Eng., Morris Ashby, Renold, SKF AB, Staveley Inds., TI Grp., FOODS (3) Kraft Inc., Low (Wm.), MS Cash & Carry, INDUSTRIALS (7) ASD, Barry Wehmiller, Black (P) Hldgs., Brit. Bloodstock, Brit. Syphon, Charter Cons., Cooper (A.), EIS, LEISURE (3) Avesco, Stanley Leisure, Virgin Grp., NEWSPAPERS (1) Blenheim Exhibits, PAPERS (1) FKS Grp., PROPERTY (8) Christie Grp., London Shop. Do. 9pc Cnv. '94-98, Slough Ests., Do. 8pc Cv. Bd. '03, Trafford Park, TEXTILES (1) Palma Grp., TRUSTS (20) OILS (1) Peko Oil, PLANTATIONS (1) Lawrie Grp.

NEW LOWS (18).

AMERICANS (1) CalFed Inc., CHEMICALS (1) DoeSex, STORES (1) Goodman Grp., ELECTRICALS (1) Tunstall Grp., INDUSTRIALS (2) J. S. Pathology, URS Intl., PAPERS (1) Peters (Michael), SHIPPING (1) Lon. O'Seas. Frtrs., TRUSTS (1) Riv. & Merc. Am. Inc., OILS (1) Genoa Res. & Inv., MINES (2) Jason Mining, Tanjong. THIRD MARKET (3) Barbican Hldgs, Cupid, Norton Grp.

APPOINTMENTS

Blue Arrow chief

■ Mr John K. Sharkey has been appointed to the board of BLUE ARROW as chief operating officer of the Blue Arrow Employment Group. He joins from Saatchi & Saatchi UK where he was managing director for two years.

■ Mr Willem van Someren Greve has been appointed an executive director of EBC AMRO BANK, responsible for the corporate finance (mergers & acquisitions) department.

■ SAMUEL MONTAGU has appointed Mr John W. Cutts as a director. He will develop a European mergers and acquisitions unit in the corporate finance division. Mr Cutts was a managing director of EBC Amro Bank.

■ Following the formation of CORE PROPERTY Mr Roy Harwood has become chief executive. He was divisional director of the Alfred McAlpine property division.

■ Mr Malcolm Hayday has been appointed a director of PRIVATE CAPITAL (BUSINESS SERVICES), part of The Private Capital Group, a Scandinavian Bank company.

■ Mr Steve Darling has been appointed director of commercial services at EDMUND NUTTALL. He was commercial manager of its Scottish division.

■ Mr B.S. Weavin has been appointed managing director and Mrs H.A. Rogers finance director of REGENCY HOMES, Newbury.

■ Mr Jeremy Thompson, a director, has been appointed managing director of TRANWOOD EARL in succession to Mr Peter Earl who remains executive chairman. Mr Earl is chief executive of the parent company, Tranwood. Mr John Gilmore becomes financial director of Tranwood Earl, and Mr Paul Newman, an associate director, is made a director.

■ Mr Tom Wilding, chairman of UK Paper, has been appointed a non-executive director of CLARES EQUIPMENT HOLDINGS.

■ BAINES GWINNER has appointed Mr Martyn Pocock as an executive director. He was an associate director of Bear Stearns.

■ Mr Duncan Howorth has joined GUINNESS MAHON HOLDINGS as managing director of GM Benefit Consultants. Mr Ray Coles and Mr Colin English have joined as directors.

■ Mr Simon R. Harrap has been appointed a director of GIBBS HARTLEY COOPER, Lloyd's broking subsidiary of the Hongkong Bank Group.

■ FOREIGN & COLONIAL VENTURES has appointed Mr Mark Fane and Mr Rod Richards as directors.

Mr Kenneth A. Graham, formerly group chief executive of Scottish and Universal Investments, who has been appointed chairman of the SCOTTISH POST OFFICE board. He takes over from Mr John Mackay who resumes full time responsibilities as general manager, northern letters territory.

■ Mr Brian Shepherd has been appointed managing director of IMAGINATION. He was client services director, and takes over from Mr Gary Withers who has become chairman. Mr Len Heath, former chairman and co-founder with Mr Withers, is now chairman of Imagination Holdings and two new divisions - Imagination International and Imagination Entertainment - with Mr Withers as managing director.

■ Sir Philip Foreman has been appointed chairman of the BRITISH STANDARDS INSTITUTION for a three-year term. Sir Philip, who recently retired as chairman and managing director of Short Brothers, succeeds Mr Roy McDowell.

■ UCL GROUP, Coventry, has appointed Mr Chris Creighton-Thomas as group managing director UCL Group, and as managing director Universal Computers, remaining managing director of UCL Computer Factors.

■ ROYAL TRUST BANK has appointed Mr Michael Collins as senior associate director, investment banking. He was a senior partner in Alsop Wilkinson, solicitors.

Mr Ian Lumsden, manager central planning and research, has been promoted to divisional manager European operations, HALIFAX BUILDING SOCIETY.

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Zürfund House, Santiago

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
70⅝	43¼	Time Inc. $1	63¼xd	–⅛	$1.00	–	0.9
21½	15⅞	Transamerica $1	19¾xd	+⅛	$1.84	–	5.5
20¼	14⅞	TRINOVA Corp.	14⅞xd	–⅛	64c	–	2.6
19	15⅛	USX $1	15½xd	+⅛	$1.20	–	4.5
24⅞	17⅝	Utd. Technologies	23¾xd	+½	$1.60	–	4.0
34⅝	26¼	US West	32⅛	.....	$3.52	–	6.4
24⅞	16⅞	Waste Management $1	23	+⅛	48c	–	1.2
16⅞	12⅞	Whirlpool $1	14⅞	–⅛	$1.10	–	4.3
33⅝	18¼	♥Woolworth $3½	30⅛	–⅛	$1.64	–	3.2

CANADIANS

1988 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp ‖	179p	.....	–	–	–
32p	11p	♥Abbot Energy Corp.	15p	.....	–	–	–
14¼	916p	♥Amer. Barrick Res.	982p	+14	–	–	–
10p	2⅛p	American Lightwave	3¼p	.....	–	–	–
47p	7½p	♥Armeno	8p	.....	–	–	–
76p	37p	Augmitto Expln.	46p	.....	–	–	–
14⅜	10⅝	Bk. Montreal ‖	13¼	–⅛	$2.00	–	7.3
769p	514p	Bk. Nova Scot. ‖	695p	–17	76c	–	5.3
18¾	15¼	BCE ‖	18¼xd	.....	$2.44	–	6.5
716p	591p	♥Bow Valley‖	602p	+8	♦40c	–	3.2
13⅝	10½	♥Brascan‖	12	–⅛	88c	–	3.6
328p	183p	♥Breakwater Res.	201p	.....	10c	–	2.4
12⅜	801p	Can Imp Bank‖	12⅜	+⅛	$1.16	–	4.6
11½	841p	Can. Pacific ‖	972p	–16	76c	–	3.8
41½	38½	Do 4pc Deb £100	38½	.....	4%	–	10.4
515p	362p	Central Capital "A" ‖	399p	+2	–	–	–
485p	378p	♥Corona Corp.	404p	+1	–	–	–
886p	265p	Cons. TVX Min.	272p	+1	–	–	–
371p	76p	Danbus Res.	90p	+½	–	–	–
686p	430p	Derlan Inds	560p	+1	11.75c	–	1.0
14⅛	864p	♥Echo Bay Mines	867p	+3	$0.07	–	0.5
40p	11½p	Energex Minerals	11½p	.....	–	–	–
125p	83p	Euro-Asia Capital Ltd.	92½p	+½	–	–	–
386p	222p	♥Galactic Resources	283p	+1	–	–	–
125p	59p	♥Geodome Res.	62½p	+½	–	–	–
394p	164p	Granges Expln‖	169p	+1	–	–	–
17p	7p	♥Gt Pacific Res.	7p	.....	–	–	–
903p	652p	♥Gulf Canada‖	666p	–23	52c	–	3.8
12⅜	816p	♥Hawker Sid Can‖	10	.....	$1.08	–	5.3
590p	344p	Henlys Group	445p	+1	–	–	–
10	785p	♥Hudson's Bay ‖	967p	–2	60c	–	3.0
28	22⅞	♥Imperial Oil‖	23⅜	+⅛	$1.80	–	3.7
20⅞	10⅛	Inco‖	16¼xd	+⅛	US$0.80	–	2.9
718p	462p	♥Inland Nat. Gas $1	595p	+1	60c	–	4.9
250p	138p	Madeleine Mines	141p	.....	–	–	–
207p	126p	♥Muscocho Expln.	183p	+1	–	–	–
187p	65p	♥Nml Business Sys. ‖	69p	–6	–	–	–
245p	110p	♥Nevada Goldfields	125p	+½	–	–	–
12	787p	♥Rio Algom	10	.....	$1.30	–	6.3
17⅛	11½	Royal Bk. Can. ‖	16½xd	+⅛	$2.08	–	6.1
35¼	26⅝	Seagram‖	33⅝	–⅛	US$1.20	–	2.1
361p	113p	♥Sonora Gold Corp‖	113p	.....	–	–	–
121p	18p	Spiral Eng.	46p	.....	–	–	–
150p	35p	Tam Pure Tech. Corp. ‖	116p	+1	–	–	–
18⅛	11⅞	Toronto-Dom. Bk. ‖	17⅛	–⅛	$1.12	–	3.2
684p	566p	♥Trans Can Pipe	631p	–4	68c	–	5.2
205p	127p	Varity Corp‖	163p	.....	8	–	–

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*258	124	ANZ $A1	254	.....	†Q21c	3.1	4.0	8.1
*271	180	Allied Irish	246	+3	KQ72.9%	3.1	6.2	8.5
£13¼	£10⅞	Algemene Fl.10	£12⅞	–⅛	Q27%	1.9	6.3	–
73	58	Anglo Irish	73	.....	Q19.69%	1.2	5.6	22.8
90	64	Ansbacher (H.) 1p	83	.....	2.0	–	3.2	–
£40½	£24⅜	Banco Bilbao Viz.	£37½	.....	Q67.2%	3.1	4.4	7.2
£35⅝	£27⅛	Banco de Santander	£32	.....	Q22%	2.4	1.7	24.8
*272	184	Bank Ireland Ir£1	246	+3	Q15.67%	3.3	5.3	7.7
£18½	£15	Bank Leumi	£18½	.....	–	–	–	–
350	350	Bank Leumi (U.K.)	358	.....	12.4	–	4.7	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

151½	9	Sonic Tape 2½p ...y	9	.....	n	–	11.8
27	18	Staks Hldgs. 5p ....y	22	.....	–	–	26.0
4½	2¼	Swanyard Studios 1p y	3¼	.....	–	–	♦
308	200	Takare ..... y	303	+5	b1.0 8.1 0.4		31.1
36	26	Tomorrows Leisure 20p y	28	.....	–	–	♦
25	13½	Tullow Oil 10p ....y	22	.....	–	–	–
135	110	UPL Group 10p.....y	113		L2.41 4.3 2.8		15.4
182	120	Unit Group. ...... y	145	.....	5.0 2.9 4.6		8.2
125	85	Video Tape Rec 5p. y	110	.....	L2.3 2.3 2.8		15.8
6	2	Wilton Group....... y	5¼	–¼	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable: bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	71	....
Craig & Rose £1... y	690	....
Finlay Pkg. 5p.... y	85	–1
Holt (Jos) 25p.... y	£11⅛	....

IRISH

Cap. 8½% Ln. 1991....	£99⅝	....
9pc Cap Ln. 1996..	£103⅛	....
Fin. 13% 97/02....	£124⅛	....
Arnotts............ y	395	....
Carroll Inds.......... y	162	–5
Grafton Grp......... y	145	....
Hall (R. & H.).......	153	–5
Helton Hldgs......... y	65	....
Irish Ropes.......... y	165	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	13
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50
Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26
Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

COMMODITIES AND AGRICULTURE

Brussels faces dilemma over grain feed plan

By Tim Dickson in Brussels

THE LOOMING mid-term review of the current multilateral trade talks is expected to complicate discussion of a controversial cereals subsidy plan when it is raised at the weekly European Commission meeting in Brussels tomorrow.

The Commission faces a delicate political decision over the timing of any announcement of the revamped "incorporation premium" scheme – essentially a payment to EC compound animal feed manufactureres who can demonstrate that they have increased the amount of Community cereals in their production.

The idea has been promoted most determinedly by the French Government, which insisted, against the Commission's better judgement, that a commitment to bring forward proposals for such a subsidy should be written into the conclusions of the February Summit of EC heads of Government.

Much heat was subsequently generated in discussion of the issue during this year's negotiations over 1988-89 EC farm prices – a specific scheme was included alongside the rest of the Commission package – but in the end Farm Ministers effectively dodged the difficulty by setting a new deadline for agreement (namely the end of the year, with Commission proposals to be tabled by October 31).

Strictly speaking that target has already been missed but some inside the Commission feel that the atmosphere early next month at the Montreal Mid-Term Review of the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) would be improved if a final decision on the incorporation premium in Brussels was delayed until after the event.

Besides dividing member states and EC farm lobbies, the plan has raised the hackles of maize gluten feed producers in the US.

"Indirectly they could argue that it is a breach of the Punta del Este standstill agreement" (not to increase farm subsidies), observed one senior Commission official.

Opinion inside the EC bureaucracy appears fairly evenly balanced, with the hawks arguing that Brussels is under a political obligation to press ahead immediately, and the doves in favour of greater discretion. "It could go either way," one insider commented.

Ironically, as some will point out at tomorrow's meeting, the severe US drought this summer inspired a sharp jump in the world market price for cereal substitutes, thereby boosting the use recently of cereals in domestic animal feed.

Trading record for London oil futures

By Max Wilkinson, Resources Editor

THE VOLUME of trading on the International Petroleum Exchange in London reached record levels in October, the exchange announced yesterday.

Since it was re-launched in June, the exchange's futures contract in North Sea Brent, the most widely traded grade of crude in Europe, has traded over 138,000 lots, equivalent to more than 138m barrels of oil.

Average daily volume in October was 2,671 lots, with a peak of more than 5,000 lots on October 19, the exchange said.

Traders say that the exchange has established a useful contract which is increasingly being used for professional hedging and arbitrage. But the volume is not yet large enough to attract much speculative interest from outside the oil industry.

However the longer-established gas oil contract is said to be attracting increased speculative interest.

In October gas oil traded a record 180,150 lots, equivalent to 18m tonnes, compared with the previous monthly record of 159,008 in July and 96,161 in October 1987.

Daily average gas oil turnover was 8,000 lots in October.

Gas oil open interest, which represents the number of trading positions, reached 75,000 lots in October compared with 14,000 in crude futures. In the first 10 months of 1988 gas oil futures traded 1.25m lots, against 1.1m in the whole of 1987.

Mr Richard Wilcox of the Elders Financial group in London said the IPE Brent contract had been used to complement the Brent forward market, in which whole cargoes of crude are traded. Since the IPE contract represented a smaller amount of crude, it was useful for partial hedging where appropriate.

He said there had also been increasing interest in matching trades in Brent crude and and gas oil on the basis of the IPE contracts. This allowed traders to take a view about refinery margins

However, he said volumes were not yet large enough to warrant talk of the so-called Wall Street refiners moving into London.

The Wall Street refiners are traders acting for large financial institutions who use futures contracts for crude oil and products to exploit changes in refining margins.

Inco to spend $81m on restarting nickel mine

By Kenneth Gooding, Mining Correspondent

INCO, THE world's largest nickel producer, is to spend US$81m on replacement mining capacity in Manitoba, Canada.

The Birchtree mine, which was first opened in 1966 but put on "standby" eleven years later, will be restarted next year after being refurbished at a cost of $46.9m.

At the same time Inco will spend $34.1m to develop Thompson Open Pit South by 1990 when Thompson Open Pit North, opened at a cost of $81m in 1986, will be depleted.

The Manitoba division last year contributed about 130m lbs of nickel or 28 per cent of Inco's total world-wide output of 459m lbs.

The group stressed yesterday that it intended to keep its annual production to between 400m and 450m lbs to maintain its 35 per cent nickel market share.

Inco pointed out it had three other mines in Manitoba on "standby", testimony to the fact that current high nickel prices would not tempt it to increase capacity substantially.

The group said Birchtree had 700m lbs of mineable nickel reserves, enough for more than 20 years, after producing 300m lbs when it was previously operating.

The mine would employ about 160 people when in full production but most of them would be transferred from elsewhere in the division.

Inco said that by employing the most advanced mining methods, by electrifying to the maximum degree and by using the latest in support equipment, the mine's productivity would be doubled in comparison to the earlier operating period.

Thompson Open Pit South has 150m lbs of reserves, enough for five year's operation.

Changing attitudes on Portugal's farms

Diana Smith describes the dynamic impact of EC membership

WHEN PORTUGAL joined the European Community in 1986 its agriculture was underdeveloped, under-financed and disorganised.

The country had 800,000 farmers and 28 per cent of the active population was involved in agriculture, but yields were less than a quarter of EC averages and *it had to import half* its foodstuffs and animal feed.

Although quality was low prices to farmers for grain and milk were respectively 70 per cent and 30 per cent above EC levels.

Generations of farmers prided themselves *on their* feeling for farming: yet up and down the country, in the fertile Ribatejo valley along the river Tagus, in the sun-scorched Alentejo or in the hilly North, the wrong crops were grown in the wrong soil. Men and women with Europe's highest rural illiteracy (35 per cent), and whose average age was 55 laboured arduously to produce meagre harvests.

With that background it was not surprising that Portuguese agriculture joined the EC with special status and a 10 year transition period during which Brussels is committed to a Ecu 700m (£460m) special support programme for Portuguese agriculture – Pedap for short.

The history of Portugal's agriculture led most people – including officials – to assume the sector had limited chances of responding to the stimulus of EC membership.

The sceptics are being proved wrong, however. Something dynamic is happening. Nearly three years into EC *membership, positive change* has taken place. Bad habits are being corrected and encouragement of trained new young farmers has started to pay off. Non-viable crops are being abandoned – with EC-funded compensation.

Comprehensive plans have been drawn up to prod Portuguese agriculture and farmers in new directions.

By June this year, no fewer than 8,500 projects had been submitted by farmers for processing by Inapa (the National Support Institute for Farming and Fishing). Of these, 5,000 have been approved. They qualify for EC grants (under Regulation 797 – support for modernisation and expansion of individual farms) and Portuguese government financing that in the case *of young farmers in more difficult* areas may cover 75 per cent of the cost of projects.

Generally, between 50 and 60 per cent of the cost of projects is covered by grants.

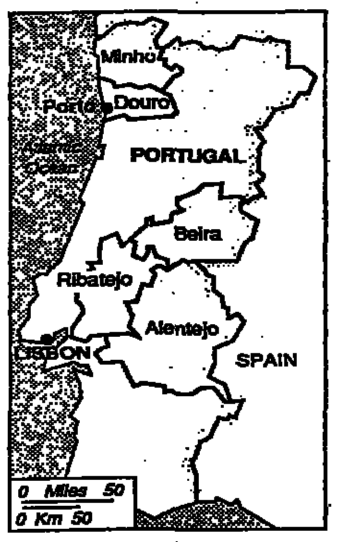
Some 2,100 of the projects approved were submitted by young farmers. Many youngsters benefited from subsidised training programmes aimed at ensuring that the new generation avoids the costly mistakes of its elders.

The projects cover everything from irrigation to a new tractor or harvester, farm buildings, or milking machines. In 1987, Es 9bn (£35m) worth of projects were financed under this scheme. Most were on small farms in the Douro and Minho regions of the North, the Ribatejo valley beyond Lisbon and the Beiras, in the centre.

Regulation 797 is not the only source of funding: under Regulation 395, (support for *agri-business and organisation* of markets), intensive efforts have begun to set up proper producers' co-operatives, as opposed to the present system of about 1,000 little co-op's that buy and sell staples for their members. At the same time efforts are being made to set up EC-style *marche's d'origine* for fruit and vegetables.

This will take time. For a farming community that joined the EC in such a disorganised state, unaware of pricing, quality control and accounting procedures, and unsure of what it meant to produce for the market rather than family use, *there is a long learning* process ahead.

Support funds from the Pedap programme cover a wide range of officially sponsored projects including. There are



seed improvement schemes; veterinary programmes; and efforts to improve cork production and to encourage pasturage, to replace heavy imports of animal feed. Also covered are infrastructures, such as better rural roads, electrification and storage facilities, as well as market structures like price information networks.

To realise that Portugal had few or none of these facilities not long ago is to understand the distance it must travel to make its agricultural sector function along the same lines its EC partners.

The flood of funds has provided the means: but achieving the ends requires a change in farmers' attitudes. In areas with bigger farms, like the Ribatejo, that change is coming fast.

From its rich soil, the Ribatejo traditionally produced modest quality wine and insufficient quantities of grain, fruit or vegetables of marketable quality. More sophisticated Ribatejo farmers began rethinking before EC accession *and prepared for a switch to* up-market fruit and vegetables, often produced in greenhouses. Since 1986 they have gone a step further, grubbing up acres of vineyards (in 1987, Es 50m was paid out to farmers to finance this process) and, after receiving expert advice, planting high-grade maize for milling for the first time in the area.

The experiment has succeeded, yields are approaching EC averages, and use of the right nutrients and methods is stressed by younger farmers, who are setting a new pace in the area.

In areas to the northwest of Lisbon where lower quality vin ordinaire of the sort discouraged by the EC was a tradition, sheep farming is being tried. Portugal has a shortage of home grown lamb for meat and sheep for wool.

Radical rethinking is also under way in the most controversial geographical area – the Alentejo, heart of the takeover by Communist commissars and local farm hands of large spreads in 1975 and of efforts to introduce Soviet-style collective farms concentrating on wheat production.

Following EC accession farming officials have finally accepted what neither politicians nor producers cared to admit for 60 years – that the Alentejo is not fit for intensive wheat or other grain farming. Its soil is poor and has been leached by more than half a century's vain efforts to achieve wheat self-sufficiency.

What the Alentejo is really good for is now being studied. It may be trees tolerant to the region's blistering summers and low rainfall (olive, cork and eucalyptus), some wine in the east of the province and in areas where irrigation is suitable, and exportable market farming produce.

Portugal's agricultural transition cannot be easy because both governments and farmers spent too many decades avoiding a head-on attack on glaring problems not only of production but diminutive size of *farms, faulty distribution* and storage of produce and unrealistic pricing systems. But the eagerness with which hundreds of technicians and thousands of farmers are now trying to make up for lost time is impressive.

The amount of farming information available – on television, through growing number of Agriculture Ministry branches in the provinces, special workshops and town meetings, has increased enormously and generally focuses on the same points:

● Select crops, nutrients, pesticides, and machinery with more care.

● Produce for the market with an eye for quality, not haphazardly.

● Pay more attention to the health and hygiene of livestock.

● Consult experts: do not rely on instinct.

What Portugal needs in the view of the authorities is fewer, better farmers: therefore retirement schemes must be set up for the most elderly or untrainable. Alternative jobs in building, services and industry must exist for those men who have farmed in unproductive areas.

Only when agriculture is more smoothly organised and there is a stronger cadre of efficient farmers can Portugal start adhering to the EC's programme for setting aside surplus cereal land. But whether the ten year transition will be enough to undo so many past mistakes is still the biggest question hovering over the sector.

Meanwhile a great deal of the progress made in 1986 and 1987 was harmed by appalling rain Portugal suffered from October 1987 to July 1988. This reduced planted areas and yields after substantial rises in 1986 and 1987. Decreases in crops, compared with 1987, were 50 per cent for wine, 42 per cent for oats and 21 per cent for barley.

Testimony to the change in farmers' attitudes is that instead of sitting around passively, bemoaning their fate, they are clamouring for effective compensation and, despite 1988 losses, planning for a better 1989 – weather permitting.

Canadian uranium output hits record

By David Owen in Toronto

CANADIAN URANIUM production reached an all-time high of 12,456 tonnes in 1987, equivalent to 34 per cent of non-communist world output, according to statistics released by the Federal Government this week.

Last year's figure represents an increase of approximately 6 per cent from the 1986 production level.

Most of the difference is made up of extra output from the Key Lake facility in the north-western province of Saskatchewan. This operation produced about 5,200 tonnes of uranium last year – a rise of some 365 tonnes from its 1986 output.

Total uranium shipments under all active domestic and export contracts amounted to 13,200 tonnes, with the balance being drawn down from reserve stocks.

The shipments were valued at C$1.1 bn (equivalent to about £516m at the current exchange rate).

Although the aggregate value of Canadian uranium shipments was up marginally from the level a year earlier, because of the higher volume of material handled, the average price for deliveries under export contracts continued the slide that has characterised the last few years.

This figure reached just US$23 per lb in 1987 – down $2 from the 1986 average and $4 from 1984.

The deterioration in the average price level was due principally to the much higher proportion of export deliveries made on a spot price basis.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,145-2,180 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.75-5.95 (5.65-5.95).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 5.50-6.50 (5.70-6.70), sticks 5.50-6.50 (5.70-6.70).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.00-7.25 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 300-320 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.48-3.52 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.20-9.40 (9.25-9.50).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55.50-62.00 (54-62).

VANADIUM: European free market, min. 98 per cent, VO, cif, 5.90-6.20 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE metal prices were generally easier on the LME yesterday. Dealers said Monday's surge in nickel prices through the $5 a lb barrier had been overdone, and three-month metal closed at $11,275 a tonne, equivalent to $5.11 a lb, compared with Monday's $5.27. However, the tightness of the market for nearby nickel was highlighted by the premium for cash metal over three-month, which widened to $1,825 a tonne from $1,625. Copper prices fluctuated widely, and dealers said the market remained vulnerable to a reaction against recent high levels. This could be initiated by a slide in New York. Meanwhile, coffee prices continued to drift lower on continued lack of demand from roasters and an absence of fresh news. *The three-month robusta* contract shed £17 a tonne to close at £1,079 a tonne.

SPOT MARKETS

COCOA £/tonne

COFFEE £/tonne

SUGAR ($ per tonne)

GAS OIL $/tonne

GRAINS £/tonne

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

POTATOES £/tonne

SOYABEAN MEAL £/tonne

FREIGHT FUTURES $10/index point

LONDON BULLION MARKET

JUTE

£ c and f Dundee BTC $470, BWC $480, BTD $420, BWD $430; c and f Antwerp BTC $455, BWC $445, BWD $405, BTD $415.

COTTON

Liverpool- Spot and shipment sales for the week ended October 28 amounted to 595 tonnes against 1,221 tonnes in the previous week. Orders moved slowly with occasional interest showing in Israeli and west African products.

LONDON METAL EXCHANGE TRADED OPTIONS

US MARKETS

IN THE METALS, gold and silver trading was inactive due mostly to a week crude oil market, reports Drexel Burnham Lambert. Copper trading was brisk and prices fluctuated within a 600 point range for the day. December closed up 75. Production cuts by Chile and lower copper stocks helped the advance. Platinum also rose sharply as a demand for the metal is needed for automobile pollution control devices. The soft markets were led by sugar futures which ended down 23 points. After a strong session Monday, trade groups took profits around the 1050 level. Cocoa prices gained 25 as news of a dock strike in Nigeria was noted. Price fix buying helped coffee futures advance over 100 points. In the meat markets, live cattle prices fell as long liquidation by trade houses was featured. Stop loss selling was also seen. Pork belly and hog markets closed higher despite the bearish forecasts for both. The grain markets were all firm as early commercial buying helped support prices. Maize and wheat futures each gained over 2 cents on moderate activity. The energy markets were lower for most of the day.

New York

GOLD 100 troy oz.; $/troy oz.

PLATINUM 50 troy oz; $/troy oz.

SILVER 5,000 troy oz; cents/troy oz.

COPPER 25,000 lbs; cents/lbs

CRUDE OIL (Light) 42,000 US galls $/barrel

HEATING OIL 42,000 US galls, cents/US galls

COCOA 10 tonnes;$/tonnes

COFFEE "C" 37,500lbs; cents/lbs

SUGAR WORLD "11" 112,000 lbs; cents/lbs

COTTON 50,000; cents/lbs

ORANGE JUICE 15,000 lbs; cents/lbs

INDICES

REUTERS (Base: September 18 1931 = 100)

DOW JONES (Base: Dec. 31 1974 = 100)

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

SOYABEAN OIL 60,000 lbs; cents/lb

SOYABEAN MEAL 100 tons; $/ton

MAIZE 5,000 bu min; cents/56lb bushel

WHEAT 5,000 bu min; cents/60lb-bushel

LIVE CATTLE 40,000 lbs; cents/lbs

LIVE HOGS 30,000 lb; cents/lbs

PORK BELLIES 38,000 lbs; cents/lb

هكذا من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO
2pm prices November 1
Quotations in cents unless marked $.

INDICES

NEW YORK — DOW JONES

	Oct 31	Oct 28	Oct 27	Oct 26	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2148.65	2149.89	2140.83	2165.18	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.53	90.31	90.22	90.18	91.25 (3/3)	86.12 (4/1)	-	-
Transport	926.72	922.95	921.59	936.01	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	187.23	186.05	185.87	186.88	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2161.63 (2166.43) Low 2125.36 (2135.67)

STANDARD AND POOR'S	Oct 31	Oct 28	Oct 27	Oct 26	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	278.97	278.53	277.28	281.38	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	321.26	320.71	319.18	324.22	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.74	25.82	25.76	26.08	26.42 (20/10)	21.51 (8/2)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	156.94	156.79	156.17	158.37	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	300.95	301.75	300.64	303.44	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	382.46	382.79	381.77	385.19	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Oct 21	Oct 14	Oct 7	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.63	3.60	3.54

	Oct 26	Oct 19	Oct 12	year ago (approx.)
S & P Industrial div. yield	3.07	3.12	3.15	3.31
S & P Indl. P/E ratio	13.65	13.42	13.15	16.39

TRADING ACTIVITY † Volume (Millions)

	Oct 31	Oct 28	Oct 27
New York	143.748	146.300	196.540
Amex	8.000	8.403	8.215
OTC	97.878	106.012	122.656

NEW YORK	Oct 31	Oct 28	Oct 27
Issues Traded	1,945	1,947	1,946
Rises	690	853	310
Falls	731	580	1,198
Unchanged	524	514	438
New Highs	26	24	27
New Lows	17	19	34

CANADA

TORONTO	Oct 31	Oct 28	Oct 27	Oct 26	1988 High	1988 Low
Metals & Minerals	2907.9	2930.2	2935.2	2946.9	3226.5 (5/7)	2258.7 (8/2)
Composite	3395.5	3405.5	3404.8	3430.1	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1683.4	1688.05	1692.08	1707.58	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Southern Co	5,619,900	22⅜	− ⅛
RJR Nabisco	4,639,000	83¾	− 1¼
Kraft Inc	4,625,000	103½	+ 7
Security Pac	4,329,400	39¾	+ ½
Texaco	4,266,900	46⅞	+ 1⅞
Santa Bus	2,662,100	3/16	+ 1/16
Am T & T	2,582,100	28⅝	+ ⅝
Sears Roebuck	2,422,700	41¾	− 1⅞
Rollin Env	1,930,500	11¼	+ ⅜
Pillsbury	1,721,700	60	+ ½

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 1	Oct. 31	Oct. 28	Oct. 27	1988 High	1988 Low
AUSTRALIA All Ordinaries (1/1/80)	1504.9	1506.9	1501.5	1503.6	1657.8 (9/8)	1170.7 (20/2)
All Mining (1/1/80)	747.4	749.9	744.9	745.9	847.8 (9/8)	532.4 (20/2)
AUSTRIA Credit Aktien (30/12/84)	(c)	220.17	217.80	217.40	220.17 (31/10)	163.98 (11/2)
BELGIUM Brussels SE (1/1/84)	(c)	5352.00	5340.00	5343.00	5352.00 (31/10)	3608.35 (4/1)
DENMARK Copenhagen SE (3/1/83)	247.87	246.78	245.61	245.30	247.87 (1/11)	180.68 (4/1)
FINLAND Unitas General (1975)	726.0	723.4	717.2	713.6	772.1 (8/8)	530.6 (15/1)
FRANCE CAC General (31/12/82)	(c)	(c)	392.3	392.2	392.3 (28/10)	251.3 (29/1)
Ind. Tendance (31/12/87)	(c)	(c)	151.4	151.2	151.5 (26/10)	89.7 (29/1)
GERMANY FAZ Aktien (31/12/58)	537.25	538.76	540.68	542.21	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1627.10	1631.70	1637.00	1641.60	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1310.79	1300.79	1314.98	1313.35	1314.98 (28/10)	931.18 (29/1)
HONG KONG Hang Seng Bank (31/7/64)	2615.43	2627.41	2614.47	2617.25	2772.53 (12/7)	2223.56 (8/2)
ITALY Banca Com. Ital. (1972)	(c)	584.41	580.38	580.49	592.69 (20/10)	423.91 (9/2)
JAPAN** Nikkei (16/5/49)	28013.67	27982.54	27741.34	27722.92	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2155.62	2156.44	2134.32	2140.96	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS ANP-CBS General (1970)	285.1	285.6	285.5	285.6	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	251.1	252.6	251.0	250.7	252.6 (31/10)	157.9 (11/1)
NORWAY Oslo SE (4/1/83)	433.31	411.82	406.42	402.47	423.64 (21/7)	327.78 (28/1)
SINGAPORE Straits Times Ind. (30/12/66)	1032.67	1039.27	1035.01	1040.10	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1337.06	1343.0	1345.0	1331.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1857.06	1846.0	1839.0	1829.0	1857.0 (1/11)	1387.0 (12/2)
SPAIN Madrid SE (30/12/85)	(c)	290.31	288.93	289.84	301.63 (15/6)	225.50 (4/1)
SWEDEN Jacobson & P. (31/12/56)	3225.50	3221.20	3215.70	3227.40	3233.10 (26/10)	2148.5 (4/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	580.9	578.6	581.1	577.2	582.3 (21/10)	466.6 (13/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	475.1	471.5	471.0	475.1 (31/10)	401.0 (21/3)

**Saturday Oct. 29: Japan Nikkei 27,961.01 and TSE 2,146.56
‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 1 November 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	192.6m	876	+25
Kawasaki Steel	153.9m	1,090	+40
IHI	86.4m	1,210	+80
MHI	81.1m	1,080	+40
Tokyo Gas	67.4m	1,490	+80
NKK	61.9m	844	+21
Furukawa Electric	59.6	969	+62
Osaka Gas	27.1m	870	uch
Japan Line	26.9m	460	+18
Mitsui Real Estate	26.8m	2,870	+90

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FINANCIAL TIMES
Europe's Business Newspaper

3pm prices November 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
27⅞	14	AAR	.44	1.8	16	419	24⅝	24⅜	24½	−⅛
10⅛	9	ACM n				96	9⅜	9¼	9¼	
12⅛	10¾	ACMIn	1.28a	11.		460	11⅜	11¼	11⅜	+⅛
10	10	ACM M n				105	10	10	10	
12⅛	10⅝	ACMSc	n1.26	12.		504	11	10⅞	10⅞	
10¼	8⅞	ACMSp	n1.01	11.		357	9¼	9¼	9¼	
5⅝	2¾	AMCA				82	3⅜	3⅜	3⅜	
6⅛	3⅜	AM Intl				1046	4⅞	4⅜	4⅞	+⅜
23¼	18¾	AM Int pf	2	9.6		86	21⅛	20⅞	21	
51¼	28¼	AMR			8	931	49⅝	48⅞	49	−⅛
27	25	ANR pf	2.67	10.		1	26	26	26	
24⅜	20½	ANR pf	2.12	8.8		1	24	24	24	+⅛
9½	6⅞	ARX			10	565	6¼	6⅞	6⅛	
68¼	35¼	ASA	3	7.9		283	38¼	37⅞	38	
20¼	11	AVX	.12e	.6	13	246	18¾	18	18½	+½
52⅜	42¼	AbtLab	1.20	2.5	15	2617	48½	47⅞	48⅜	+⅜
21¾	15⅞	Abitibi g	1			121	17	16⅝	17	+¼
13⅞	8½	AcmeC	.40	4.6		105	8⅝	8½	8⅝	−⅛
8⅞	6½	AcmeE	.32b	4.7	30	3	6⅞	6⅞	6⅞	+⅛
29½	12¼	Acuson			22	361	23½	23⅜	23½	+¼
17¼	14⅝	AdaEx	3.05e	18.		157	16½	16⅜	16½	+⅛
16⅞	7½	AMD			16	1873	9⅛	8⅝	8⅞	−⅛
43½	29¼	AMD pf	3	9.3		5	32⅜	32⅜	32⅜	
8½	4⅞	Adobe				10	7⅛	7⅛	7⅛	
18½	16¼	Adob pf	1.84	11.		9	17¼	17¼	17¼	−⅛
21⅛	18⅞	Adob pf	2.40	12.		11	20⅜	20¼	20¼	−⅛
9¼	5⅞	Advest	.12	1.7	22	21	7	6⅞	7	
53½	39½	AetnLf	2.76	5.6	8	1609	50½	50	50⅛	−⅛
34¼	20½	AhPb s	.20	.7		403	29½	29⅛	29½	+¼
18⅜	13	Ahmans	.88	5.2	10	2314	17	16⅝	16⅞	−⅛
4⅝	1⅞	Aileen				11	4⅛	3⅞	4⅛	
53⅜	30⅜	AirPrd	1.20	2.9	11	1050	41⅜	41½	41⅜	+⅛
19⅜	11⅛	AirbFrt	.60	3.3	18	83	18½	18¼	18⅜	+½
[illegible]										

PRO MONITORS FROM PHILIPS

The clear advantage

PHILIPS

Continued on Page 53

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29¾	19⅝	XTRA pf1.94		6.9		6	28¼	28¼	28¼	
59⅜	19⅞	Yorkin			14	17	51⅛	51½	51½	− ⅛
3⅞	2¼	Zapata				1457	2⅝	2⅜	2½	
27⅞	13½	Zayre	.40	1.5	178	2667	26¾	26¼	26¾	+ ⅛
15½	8¼	Zemex	.40	2.7	19	8	14⅝	14⅜	14⅝	− ⅛
30	13	ZenithE				300	19½	19¼	19⅜	− ⅛
10⅜	9½	Zenin n	.49e	4.9		134	10	10	10	− ⅛
4⅛	1	vjZenLb				178	2⅛	2	2⅛	
21⅝	13⅛	ZenNtl	.80b	4.6	8	223	17⅝	17⅜	17½	+ ⅛
17⅞	11¾	Zero	.40	2.4	14	145	16⅞	16⅝	16¾	+ ⅛
29	15½	Zurnin	.68	2.6	15	212	26⅛	25⅞	25⅞	− ¼
11¼	8	Zweig	1.04	10.		164	10½	10¼	10⅜	+ ⅛
10⅛	10	ZweigT n				614	10⅛	10	10	− ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights, xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 1

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
PopeEv			28	⅜	5-16	5-16	− 1-16
Pratt B		125	1	5	5	5	− ⅛
PresCm		1	101	7	6⅞	6⅞	− ⅛

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 1

Stock	Div.	P/ E	Sales 100s	High	Low	Last	Chng
Windm s		12	279	17¾	17½	17⅝	+ ⅛
Wolohn	.28	9	28	16⅛	16⅛	16⅛	
WolvEx			200	7⅞	7¾	7¾	− ⅛
Worthg	.44	15	1792	21¼	21	21¼	
Wyman	.80	14	43	15	14¾	15	
— X — Y — Z —							
XL Dta		16	164	28½	28	28	
XOMA			2659	13	12	12½	− ½
X-Rite s		13	97	9	8½	8½	− ⅜
Xicor		12	183	7¾	7⅝	7⅝	
Xyvan			83	5	5	5	
YelowF	.70	20	x1446	33½	32⅞	33	− ½
ZionUt	1.44		83	24½	24	24	− ⅝

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FINANCIAL TIMES

FINANCIAL TIMES
Wednesday November 2 1988

AMERICA

Absence of news confines Dow to its narrow range

Wall Street

THE NARROW trading range mentality continued to predominate on Wall Street yesterday morning as equity prices drifted aimlessly within a few points of their overnight close, *writes Anatole Kaletsky in New York.*

After opening about 4 points below Monday's close of 2,148.65 on the Dow Jones Industrial Average, prices rebounded as the Dow approached the 2,140 level which has defined the bottom of the current trading range. The market then spent an hour on the plus side but met resistance as the Dow topped 2,155. It drifted back into a narrow range, just below Monday's closing level, and by 2 pm the Dow was down 0.53 at 2,148.12.

With no significant news or economic announcements to give a spur to traders, volumes were moderately light; 92m shares had changed hands on the New York Stock Exchange by 1 pm. Declining shares outnumbered gainers by about seven to five and the broader stock indices all remained virtually unchanged.

Analysts pointed to the Presidential election next Tuesday as an event that could push the market out of the doldrums, although Friday's employment figures could also have an impact if they turn out to be much stronger or weaker than expected. Yesterday's economic announcements – a 0.1 per cent decline in leading indicators and a 0.6 per cent advance in construction spending – were not significant enough to have any perceptible impact on trading in the main financial markets.

The bond market spent the morning marginally down, but this was seen as a natural reaction to Monday's big gains for fixed interest securities. By lunchtime, the Treasury's benchmark long bond was down ⅛ at 103⅞, a price at which it yielded 8.76 per cent. The dollar was also almost unchanged, drifting down against the yen to Y125.25 but up against the European currencies to DM1.7845.

Another event of note was the decision by Merrill Lynch, Wall Street's biggest brokerage firm, to recommend a slight increase in the equity weighting of its model portfolio. Mr Charles Clough, Merrill's chief investment strategist, raised equities from 40 to 45 per cent of the model's investment and lowered cash from 15 to 10 per cent. Bonds were unchanged with a 45 per cent weighting. Mr Clough said the decision to switch some cash into equities was based on his view that short-term interest rates had probably passed their peak.

The Federal Reserve Board reinforced this opinion by announcing another set of system repurchase agreements, designed to keep a lid on short-term interest rates, when Federal Funds were trading at 8⅝ per cent.

The main corporate event was a merger agreement, worth $11¾ a share, between Forstmann & Co, a small textile manufacturer, and Odyssey Partners, a leveraged buy-out and investment banking firm. The shares of Forstmann – which should not be confused with Fortmann, Little, another leading LBO firm – jumped $1¼ to $11⅛.

Another substantial gainer was Texaco, which rose $1⅛ to $46¾ on a suggestion from Dean Witter that the company might take further action to maximise shareholder values. Cray Research advanced $⅝ to $60¾ after unveiling a supercomputer with double the memory of its previous model.

Among declining stocks were Digital Equipment, which fell $⅝ to $95⅝ on profit-taking after its recent gains

Canada

THE WEAKNESS of the Canadian dollar depressed demand for Toronto stocks, and the composite index lost 4.52 to 3,391.08 by midday.

Molson, which reported higher earnings, saw its class A shares rise C$⅛ to C$28⅝.

Volatile Mexican bolsa relives Day of the Dead

Worries about the economy are tempering the rapid rise in share prices, writes Richard Johns

Today is the "Day of the Dead" in Mexico – a semi-official holiday honoured by the financial sector, which is not unrelated to All Souls Day but is unique in its somewhat macabre practices, such as the eating of sugar candy skulls and bread baked in the shape of human bones.

It was certainly a grim day a year ago for the Mexican bolsa as it paused in the midst of what must have been one of the most precipitous stock market plunges in history. Yet worse was to come, as the Bolsa Mexicana de Valores index plummeted from a historic high of 373,000 on October 6 to 95,000 on November 17.

At the close of trading on Monday the index stood at 197,822, almost the same level as the 200,000 recorded a year ago, but well up on the 105,000 seen at the start of the year.

Share prices were boosted a fortnight ago by three consecutive announcements in as many days: continued austerity policies, the agreement on extending the Economic Solidarity Pact for another month to December after Mr Carlos Salinas Gortari assumed the presidency and, finally and most effectively, a $3.5bn bridging loan from the US.

The news gave the market the assurance it sought on the ruling Institutional Revolutionary Party, the determination to maintain the parity of the peso at the rate set last February of 2,281 pesos to the dollar and – more importantly – the ability to do so thanks to the helping hand of "Tio" (Uncle) Sam.

Yet it could be argued that the increase was hardly convincing for a stock market with a fair claim to be the world's most volatile. It crashed further in what is referred to as "El Crack" of 1987 and bounced back higher than any market in the FT-Actuaries World Index between January and September.

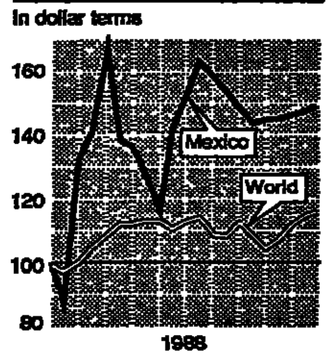
The index, which only covers shares available to foreign investors, is based on a smaller sample than the 42 stocks in the bolsa's own index.

There has been some talk about the bolsa index approaching 250,000 by the end of this year but, oil prices apart, there is concern over a deterioration of the country's current account surplus, which is required to cover external debt financing requirements.

There are also worries about Mexico's high and still rising interest rates. These have continued to climb as inflation has fallen, increasing the authorities' nervousness about the flight of capital and the Government's escalating internal borrowing needs.

FT–A World Indices

In dollar terms



Last week, the rate for 28-day Setes, or Treasury Bills, went up to 45.61 per cent and a new 56-day instrument giving a yield of 46.14 per cent was introduced to the market.

More than ever, the bolsa is having to compete with government paper offering not only security but also very high rates of return. At the end of August there was nearly 45,000bn pesos ($19.7bn) worth of Setes in circulation compared with the stock market capitalisation of $12bn.

The rate of the market's climb is consequently slowing down. Over the third quarter of this year the bolsa rose by just 6 per cent, nearly twice the rate of inflation but well below the gain of 65 per cent seen in the first quarter and slightly less than the 7 per cent recorded in the second quarter.

Share prices were badly affected by the political battle over the validity of the results of the presidential and congressional elections of July 3. Then there were doubts about whether the ESP would be extended beyond August. The two factors led to a serious outflow of capital over a period of five weeks in the summer and, on August 11, the index hit a low point for the quarter of 178,066.

The renewal of the Pact led to a rally, but the market fell after the opposition's unruly and unprecedented disruption of President Miguel de la Madrid's state of the union message before Congress on September 1.

The first nine months saw considerable variations between sectors. Large conglomerates – including companies such as Alfa and Visa – saw the best performances with an increase of 210 per cent. Steel stocks soared by 165 per cent, construction by 123 per cent and chemicals by 93 per cent.

Sectors putting in average and below average performances were electricals (76 per cent), motor parts (74 per cent), metallurgy (74 per cent), beverages (72 per cent), engineering (68 per cent), mining (66 per cent) and utilities (65 per cent).

Export-oriented companies fared best, while retailing, foodstuffs, clothing, other consumer goods and financial services were bottom of the league, with lacklustre performances.

In spite of the stock market's climb from its post-crash low, no one doubts that the index is still far from reflecting the average worth of assets. Bursametric, a leading firm of analysts, says the stock market is the most undervalued in the world in terms of price/earnings and price/net book value. Morgan Stanley puts the price/earnings ratio at 4.2 per cent and price/book value at about 50 per cent.

"The real question is whether the bolsa is in fact undervalued, or priced with reasonable accuracy to reflect deeper problems in the Mexican economic and political outlook," says the authoritative newsletter Mexico Service. Any closer approximation of prices to actual value must await an alleviation of Mexico's debt servicing burden and real prospects for growth.

ASIA PACIFIC

Nikkei advances with caution for a seventh session

Tokyo

THE RECENT cautious recovery in Japanese investor confidence was reflected in Tokyo trading yesterday, when share prices rose for the seventh consecutive session, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average gained 31.13 to 28,013.56, closing above 28,000 for the first time in about two and a half months, and volume improved slightly to 1.52bn shares from 1.11bn.

The index moved between a high of 28,095.24 and a low of 27,964.79. However, advances barely outpaced declines by 438 to 431, and the TOPIX index of all listed stocks eased 0.82 to 2,155.62. In London, Japanese shares rose, with the ISE/Nikkei 50 index up 4.77 at 1,766.54.

Investors feel the market has been performing too poorly for too long, says Mr Norio Watanabe, director of Credit Suisse Investment Advisory Co. Many market participants also believe the market hit a low in the summer and that it is time for it to start rising.

Interest, however, remains concentrated in issues that trade in large volume. These offer ample liquidity to investors, who seem inclined to move actively in and out of the market at the moment.

The other main themes yesterday continued to be property assets and leisure. Several property owners are also large volume issues, such as Kawasaki Steel, which closed Y40 higher at Y1,090 after reaching an all-time high of Y1,100. It was the second busiest issue with 153.9m shares.

Nippon Steel, the most active stock at 192.6m shares, rose to a record Y877 before closing Y25 better at Y875.

On the leisure theme, railway stocks saw continued interest in the potential of the land and other assets they own along their lines. Tokyu Corp gained Y40 to a high for the year of Y1,850.

Trading in Osaka was more active, with volume rising to 210m compared with 112m on Monday. The OSE average firmed 85.86 to 25,942.98.

Roundup

A LACK of interest and direction left most Asia Pacific markets easier yesterday.

HONG KONG lost ground as takeover speculation about Hysan Development faded. The Hang Seng index fell 11.98 to 2,615.43, led by properties, in volume that eased to HK$826m from Monday's HK$920m.

Hysan Development, which has picked up strongly on takeover talk, shed 10 cents to HK$1.18. A third of the day's volume was seen in Hysan, Green Island Cement, and Hongkong Hotels.

Green Island jumped HK$1.70, or 9.6 per cent, to HK$19.40 as Cheung Kong raised its stake above 50 per cent before ending only slightly below its pre-crash high of HK$19.90. Cheung Kong shed 10 cents to HK$7.40.

Hongkong Hotels was steady at HK$5.55 in the wake of the takeover fight between Cathay City and the Kadoorie family.

AUSTRALIA had a thin day, with interest focusing on the Melbourne Cup horse race rather than the trading floor. The All Ordinaries index shed 2.0 to 1,584.9 in volume worth less than A$100m.

IEL saw active turnover as it announced its restructuring, with the sale of its interest in Industrial Equity Pacific to Brierley Investments. IEL added 1 cent to A$1.66 and Brierley was steady at A$1.07, while Edwards Dunlop rose 10 cents to A$2.50 after IEL lifted its stake to 19.99 per cent.

SINGAPORE also eased in lacklustre trading of 15m shares, down from Monday's 21m. The Straits Times industrial index lost 6.60 to 1,032.67.

SEOUL picked up sharply, led by construction and chemical issues. The composite index gained 7.02 to 736.81.

Correction

The hostile bidder for Hongkong and Shanghai Hotels is Cathay City, not Cathay Pacific as reported in yesterday's market report.

EUROPE

Stronger dollar boosts demand

THE firmer dollar spurred buying in those European markets which did not close for All Saints Day, and bourses ended mostly higher, *writes Our Markets Staff.*

FRANKFURT recovered most of Monday's fall in trading subdued by holidays in other exchanges. The sharp turnround in the dollar boosted sentiment later in the session, with the FAZ index at midday off 1.51 at 537.25 but the DAX closing up 10 at 1,310.79, its high for the day. Volume was a tiny DM1.38bn.

Daimler climbed DM13.50 to DM772 after its DM9.50 fall on Monday. One broker said it appeared some operators had been wrong-footed by the dollar's weakness on Monday and forced to cover short positions in Daimler, with lack of volume driving the price up steeply. Computer stock Nixdorf, a recent laggard, gained DM4.30 to DM417.20.

In the popular capital goods sector, Deckel, a machine tool manufacturer, dropped DM8, or 4.8 per cent, to DM159 after the company told shareholders that business development was disappointing and earnings and sales would not reach 1988 projections.

In banks, Dresdner was steady at DM302 after Monday's rights issue news, and Commerzbank up DM1.70 to DM251.20 with plans to raise its 5 per cent stake in BfB, a Brazilian investment bank, to 19.4 per cent.

WEST GERMAN turnover of shares and bonds reached a record high in October of DM305.2bn, up from DM259bn in September and DM236.8bn in October 1987.

The rise was led by bonds. Equity turnover climbed to DM81.9bn last month from DM66.6bn in September but was still below the DM96.6bn in October 1987.

ZURICH proved surprisingly strong after falling on Monday, rising in relatively low turnover. The stronger dollar helped spur buying and the Crédit Suisse index put on 4 to a year's high of 499.2.

Employment services company Adia put in an especially good performance after going ex a SFr90 dividend on Monday. Its bearers rose SFr75 to SFr9,575 after losing only SFr15 the previous day.

Intershop Holding bearers dropped SFr22 to SFr710 after news that it is to restructure its capital base and float a SFr100m bond with warrants.

Union Bank of Switzerland, up SFr20 at SFr3,460, announced it and Swiss National Insurance were to sell their stakes in Union Reinsurance to Swiss Re, SFr50 higher at SFr13,000.

AMSTERDAM saw reasonable volumes in international stocks, helped by the stronger dollar, and the CBS all share index added 0.1 to 101.9.

Akzo put on 90 cents to Fl 158 on expectations of good results due tomorrow.

STOCKHOLM ended higher, with the Affärsvärlden index up 3.5 at 955.3. Volume continued to pick up, reaching SKr420m against recent levels at SKr350m, with healthy demand reported from London for select stocks.

Potential takeover target Atlas Copco continued to rise, adding SKr5 to SKr242, well up on its SKr217 level of just over a week ago. Pharmacia B free rose SKr2 to SKr171 on good buying interest.

OSLO was little changed although the oil index was boosted by rumours that Sweden's Volvo was to increase its stake in Saga Petroleum. The two companies denied the rumours but Saga rose NKr3.50, or 4.7 per cent, to NKr77.50. The all-share index added 0.97 to 294.63.

HELSINKI had a lively session, with the Unitas all-share index adding 2.6 to 726.0. Pohjola rose another FM1 to FM88, with a strong 51,000 shares traded, on its positive profits forecast.

SOUTH AFRICA

A DECLINE in the bullion price to about $411 an ounce pushed gold stock prices mostly lower in Johannesburg yesterday.

In the gold sector, Vaal Reefs dropped R1 to R275, Southvaal lost 50 cents to R107, Ofsil declined 50 cents to R81.50 and Driefontein shed 35 cents to R35, although Bracken moved against the trend, adding 5 cents to R2.95.

Diamond stock De Beers fell 75 cents to R45.50. Other mining shares were generally steady, while financial mining and industrial issues were mixed.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE: September 1988	% Change on August	% Change on Dec 31 '87	September 1988	% Change on August	% Change on Dec 31 '87	TOTAL RETURN: September 1988	% Change on August	% Change on Dec 31 '87
		(Dollar terms)			(Local currency terms)			(Dollar terms)		
Latin America	(111)	143.3	4.4	66.0	–	–	–	183.2	4.7	77.4
Argentina	(24)	207.9	-7.6	52.2	17,059.6	14.4	544.0	230.0	-7.6	82.2
Brazil	(30)	82.1	14.8	81.8	9,075.6	42.4	822.7	108.4	14.9	97.8
Chile	(25)	452.4	-0.1	20.9	860.8	-0.2	28.1	673.7	1.0	32.8
Mexico	(32)	326.2	-0.6	86.4	3,900.6	1.2	95.9	418.7	-0.5	94.0
Asia	(207)	345.7	2.3	109.7	–	–	–	422.0	2.7	118.0
Korea	(62)	346.1	3.0	41.0	299.7	2.2	27.0	562.5	3.5	53.9
Malaysia	(62)	103.0	0.1	15.5	113.9	0.3	24.5	118.6	1.5	21.1
Taiwan	(64)	1,077.5	2.4	218.0	789.6	2.9	222.7	1,173.7	2.6	221.9
Thailand	(19)	246.9	1.3	48.0	232.1	1.5	49.9	397.5	1.3	57.0

Source: International Finance Corporation. Base date; Dec 31,1984.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	MONDAY OCTOBER 31 1988: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	FRIDAY OCTOBER 28 1988: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1988 High	1988 Low	Year ago (approx)
Australia (91)	148.46	-0.1	124.45	120.36	4.21	148.56	124.54	120.10	152.31	91.16	99.07
Austria (17)	95.62	+0.2	80.16	88.13	2.43	95.43	80.02	88.31	98.18	83.72	96.16
Belgium (63)	130.15	+0.3	109.11	120.52	4.20	129.81	108.82	120.20	139.89	99.14	102.72
Canada (125)	122.63	-1.6	102.80	108.29	3.16	124.59	104.43	108.62	128.91	107.06	107.11
Denmark (39)	148.66	+0.2	124.62	138.75	2.17	148.33	124.35	138.04	148.99	111.42	108.97
Finland (26)	127.51	+0.4	106.89	112.55	1.48	126.95	106.43	112.25	[illegible]	[illegible]	
France (130)	108.45	-0.3	90.91	103.47	3.14	108.76	91.17	103.47	108.76	72.77	87.68
West Germany (102)	86.72	-0.6	72.70	80.31	2.31	87.27	73.16	80.54	87.49	67.07	82.38
Hong Kong (46)	107.52	+0.6	90.13	107.80	4.68	106.88	89.60	107.17	111.86	84.90	84.63
Ireland (18)	140.81	+0.3	118.04	131.33	3.82	140.39	117.69	131.53	144.25	104.60	112.60
Italy (100)	83.80	+0.5	70.25	82.88	2.43	83.35	69.88	82.25	87.49	62.99	79.10
Japan (456)	173.76	+1.2	145.67	137.84	0.54	171.65	143.90	136.44	177.27	133.61	139.13
Malaysia (36)	140.37	+0.2	117.67	144.34	2.97	140.05	117.41	144.13	154.17	107.83	111.64
Mexico (13)	158.00	+0.7	132.45	395.41	1.38	156.92	131.55	392.37	180.07	90.07	241.18
Netherland (38)	109.99	-0.9	92.21	100.88	4.88	111.00	93.06	101.43	111.00	95.23	99.36
New Zealand (26)	73.65	-0.5	61.74	62.43	5.34	74.01	62.05	62.58	84.05	64.42	86.52
Norway (25)	119.51	+0.5	100.18	107.62	2.70	119.12	99.86	107.20	132.25	98.55	128.68
Singapore (26)	121.54	+0.0	101.89	117.43	2.43	121.53	101.88	112.04	135.99	97.99	101.71
South Africa (60)	111.20	-0.1	93.22	97.23	4.66	111.31	93.31	98.31	139.07	98.26	131.87
Spain (42)	150.11	+0.2	125.84	134.08	3.04	150.44	126.12	133.86	164.47	130.73	130.87
Sweden (35)	130.79	+0.4	109.65	119.56	2.39	130.25	109.20	119.07	131.29	96.92	106.00
Switzerland (56)	84.90	-0.6	70.75	78.56	2.15	84.89	71.17	78.84	86.75	74.13	86.94
United Kingdom (321)	137.29	+0.0	115.09	115.09	4.58	137.59	115.35	115.35	141.28	120.64	122.56
USA (579)	113.76	+0.2	95.37	113.76	3.54	113.56	95.20	113.56	115.55	99.19	104.29
Europe (1012)	114.12	-0.3	95.67	101.51	3.66	114.42	95.92	101.61	114.42	97.01	102.21
Pacific Basin (681)	170.05	+1.2	142.56	135.79	0.76	168.10	140.92	134.47	172.26	130.81	135.60
Euro-Pacific (1693)	147.70	+0.7	123.82	122.03	1.66	146.65	122.94	121.25	147.70	120.36	122.28
North America (704)	114.22	+0.1	95.75	113.44	3.51	114.14	95.69	113.28	116.07	99.88	104.44
Europe Ex. UK (691)	99.55	-0.3	83.46	93.24	2.92	99.84	83.70	93.25	99.88	80.27	89.59
Pacific Ex. Japan (225)	125.44	+0.1	105.16	110.13	4.34	125.30	105.05	109.83	128.37	87.51	93.07
World Ex. US (1891)	146.48	+0.6	122.79	121.44	1.73	145.54	122.01	120.72	146.49	120.26	121.93
World Ex. UK (2149)	133.50	+0.1	111.92	119.17	2.07	132.76	111.29	118.54	133.50	111.77	114.57
World Ex. So. Af. (2410)	133.96	+0.5	112.30	118.92	2.29	133.30	111.75	118.36	133.96	113.26	114.97
World Ex. Japan (2014)	114.68	+0.0	96.14	109.21	3.61	114.73	96.18	109.16	115.55	100.00	103.58
The World Index (2470)	133.82	+0.5	112.19	118.77	2.30	133.17	111.64	118.23	133.82	113.37	115.08

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Markets closed Oct.31: France and Ireland.
Latest prices were unavailable for this edition.

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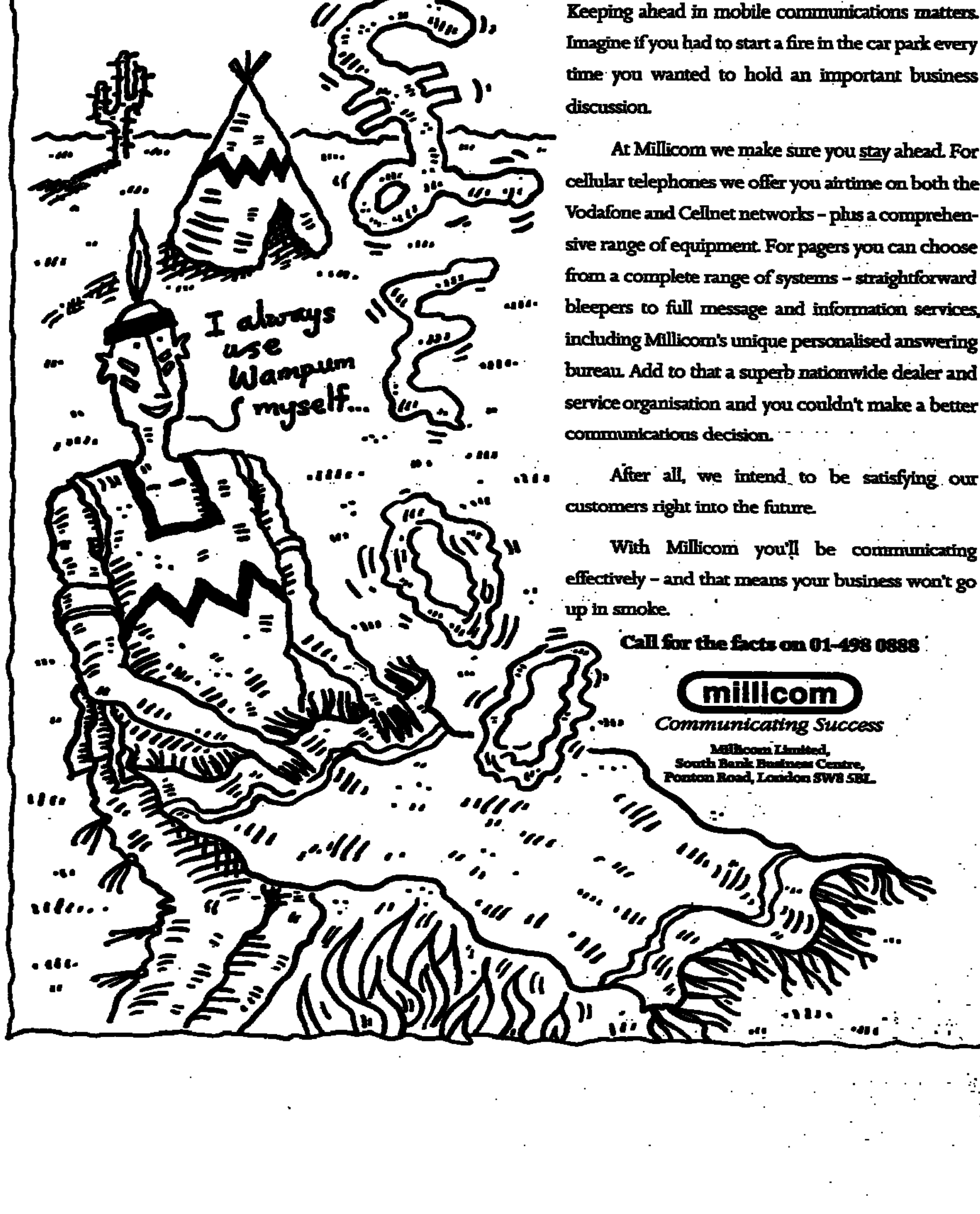

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